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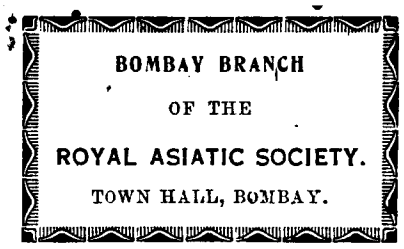

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Minutes of the Evidence

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Vol. III.

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94	Wood, Mr.	Of Messrs. Parry & Co., Madras.	31st Jan. 22	592	13858—13947	592	13843—13857
95	Chetty, Mr. B. P. . .	Godown Street, Madras	31st Jan. 22	599	14004—14228	595	13948—14003
96	Doraswami, Mr. C.; Menon, Mr. Gopal.	Representatives of the Southern India Chamber of Commerce.	1st Feb. 22	607	14237—14420	606	14229—14236
97	Luker, Mr.; Nicholson, Mr.; Smith, Mr.	Representatives of the Madras Trades Association.	1st Feb. 22	616	14485—14613	615	14421—14484
98	Green, Mr. A. M. . .	Collector of Customs, Madras	1st Feb. 22	622	14635—14737	620	14614—14634
99	Besant, Dr. Annie . .	..,,	2nd Feb. 22	628	14762—14919	626	14738—14761
100	Leech, Mr. A. J. . . .	Of Messrs. T. A. Taylor & Co., Ltd.	2nd Feb. 22	640	14978—15146	635	14920—14977
101	Garudachari, Mr. B. V. K.; Sastry, Mr. S. G.	Representatives of the Mysore Chamber of Commerce.	2nd Feb. 22	648	15179—15257	646	15147—15178
102	ry, Mr. S. G. .	....	2nd Feb. 22	651	15268—15311	650	15258—15267
103	. Souza, Mr. P. G. . .	Director of Industries and Commerce, Mysore.	2nd Feb. 22	659	15342—15471	653	15312—15341
104	Nayudu, The Hon'ble Rai Bahadur K. Venkata Reddi.	Minister of Agriculture, Madras	3rd Feb. 22	670	15514—15769	663	15472—15513
105	Reddi, Mr. E. V. Sundara .	Secretary, Madras Ryotwari Landholders' Association.	3rd Feb. 22	682	15779—15874	680	15770—15778
106	Slater, Dr. Gilbert . .	Publicity Officer, Madras	3rd Feb. 22	689	15906—16063	687	15875—15905
107	Chetty, Mr. Nammalwar .	Of the Madras Piecegoods Merchants' Association.	3rd Feb. 22	699	16115—16123	696	16064—16114
108	Sampson, Mr. H. C. . .	Director of Agriculture, Madras.	4th Feb. 22	704	16153—16457	700	16124—16152
109	Reddy, Mr. Ramalinga .	....	4th Feb. 22	717	16494—16554	713	16458—16493
110	Chetty, Rai Saheb G. Subbiah	....	4th Feb. 22	722	16585—16608	721	16555—16584
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111	Madon, Mr. B. F. . .	C/o R. D. Tata & Co., Ltd., Fort, Bombay.	20th Feb. 22	726	16659—16799	722	16609—16658
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113	Sahasrabuddhe, Mr. D. L. .	Representative of the Bombay Agricultural Graduates' Association, Poona.	20th Feb. 22	741	16950—17178	739	16920—16949
114	Cursetjee, Mr. N. J. . .	Representing the principal users and suppliers of electrical apparatus in Bombay.	20th Feb. 22	754	17193—17285	750	17179—17192
115	Wadia, Mr. Jamsetji Ardaseer	....	21st Feb. 22	770	17324—17610	761	17286—17323
116	Devchand, Mr. Gulabchand .	....	..	787	17683—17830	779	17611—17682
117	Bell, Mr. R. D. . . .	Director of Industries, Bombay.	..	797	17864—18139	791	17831—17863
118	Kanji, Mr. Motilal . .	Representative of the Bombay Native Piecegoods Merchants' Association.	22nd Feb. 22	810	18223—18365	808	18140—18222
119	Shah, Mr. Khushal T. . .	Professor of Economics, University of Bombay.	22nd Feb. 22	819	18405—18558	815	18366—18404
120	Thackersey, Sir Vithaldas Damodhar.	....	22nd Feb. 22	828	18600—18749	827	18559—18599

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121	East, Mr.	Representative of Messrs. Killick Nixon & Co., Managing Agents, Bundi Portland Cement, Ltd.	22nd Feb. 22	835	18767—18861	834	18750—18753
122	Cherry, Mr. R. H. . .	Representative of Katni Cement and Industrial Co.	22nd Feb. 22	835	18767—18861	835	18754—18766
123	Tannan, Mr. M. L. . .	Principal, Sydenham College of Commerce, Bombay.	...	840	18903—19185	838	18862—18902
124	Ramji, Mr. Manmohandas .	M. L. A., Bombay	..	851	19249—19404	849	19186—19248
125	Munshi, Mr. F. F. . .	Representative of the Gujarat Islam Match Manufacturing Co., Ahmedabad.	..	860	19442—19537	857	19405—19441
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127	Ruia, Mr. Fatechand; Bagaria, Mr. H. P.	Representatives of the Marwari Chamber of Commerce, Bombay.	25th Feb. 22	890	19965—20087	886	19929—19964
128	Sassoon, Captain; Petit, Mr. .	Representatives of the Bombay Millowners' Association.	27th Feb 22	897	20103—20474A	894	20088—20102
129	Macnaughten, Mr. H. P. W. .	Of Messrs. Wallace & Co., Bombay.	..	913	20488—20755	912	20475—20487
130	Clouston, Mr. D. .	Director of Agriculture, Central Provinces.	27th Feb. 22	922	20773—20849A	921	20756—20772
131	Hara, Mr.; Yamaji, Mr.	Representatives of the Japan Cotton Spinners' Association, Bombay.	28th Feb. 22	928	20884—21220	925	20850—20883
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133	Aiyar, Mr. P. S. R. .	Of the Alembic Chemical Works Co., Ltd., Baroda.	28th Feb 22	944	21318—21475	942	21269—21317
134	Thakurdas, Mr. Purshotamdas; Madon, Mr. B. F.; Muzumdar, Mr. N. M.	Representatives of the Indian Merchants' Chamber and Bureau, Bombay.	1st Mar. 22	951	21508—21909	949	21476—21507
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137	Sassoon, Captain E. V.	....	1st Mar. 22	983	22227—22314A	982	22215—22226
138	Tata Sons, Ltd., Messrs. .	Agents, The Tata Oil Mills Co., Ltd., Bombay.	..	..	..	987	22315—22325
139	Peterson, Mr. J. C. K.	Of the Tata Iron & Steel Co., Ltd., Bombay.	2nd Mar. 22	991	22357—22669	988	22326—22356
140	Indian Steel Wire Products, Ltd.	Jamshedpur	..	1004	22682—22715	1002	22670—22681
141	Sheth, Mr. Mavji Govindji .	Bombay	2nd Mar. 22	1005	22739—22782	1004	22716—22738
142	Patel, Mr. Goverdhandas I. .	Honorary Secretary, Ahmedabad Millowners' Association.	3rd Mar. 22	1009	22846—23091	1007	22783—22845
143	Chatterton, Sir Alfred . .	Industrial Adviser, The Tata Industrial Bank, Ltd., Bombay.	3rd Mar. 22	1017	23102—23297	1016	23092—23101
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145	Mehta, Mr. M. N. .	Minister, Baroda State	27th Mar. 22	1045	23505—23686	1037	23444—23504
146	Samaldas, The Hon'ble Mr. Lalubhai.	Member of the Council of State	27th Mar. 22	1053	23708—23886	1050	23687—23707
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147	Kenyon, Brigadier-General .	Director-General of Ordnance	...	..	..	1059	23887—23914

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EXPLANATORY NOTE.

The following questions have been framed with a view to indicating the main aspects of the enquiry to be undertaken by the Fiscal Commission, so far as the President and those Members of the Commission whom he has been able to consult can at present judge of them. Sections A. and B. are intended to cover the general problems which will arise for consideration in determining the future direction of fiscal policy and in deciding whether India should adopt a policy of Imperial Preference. The remaining sections contain questions designed to elicit not only the opinions but the definite experience of those engaged in the various branches of industry and commerce. In the case of answers to these questions the Commission will naturally attach special importance to conclusions resting on a solid foundation of facts and figures.

2. It is not intended that those who are engaged in industry and commerce should confine themselves to the special sections dealing with their particular business. On the contrary, there are many questions in Sections A. and B. which require for their adequate consideration an intimate acquaintance with business conditions, and it is hoped that those who have such special knowledge will give the Commission the benefit of their general views on the important and difficult problems that arise.

3. As explained above, the questions are designed to cover the whole field of the enquiry, so far as it can be outlined at this stage. It is not therefore expected that each witness should attempt to answer all the questions. If a witness wishes to give his views on any points relevant to the enquiry which have not been included in the questionnaire, it would be convenient that such points should be dealt with in a supplementary statement.

4. The Commission is inviting either directly or through Local Governments various associations and individuals to forward in writing their replies to the questionnaire. The Commission will also be glad to receive replies from any associations or individuals not so invited who may wish to represent their views. Copies of the questionnaire can be obtained from the Secretary, Indian Fiscal Commission, Simla, on application.

5. The Commission assembles in the first half of November and the early receipt of written replies to the questions would greatly facilitate its work. After perusal of the replies the Commission will select certain witnesses for oral examination. To give adequate time for this, it is requested that replies may be despatched so as to arrive at least three weeks before the date on which the witness is likely to be examined. The provisional programme of the tour of the Commission indicating the approximate dates on which oral evidence will be taken at each centre is as follows :—

Assemble Bombay early in November 1921. No evidence will be taken at Bombay at this time.			
Depart	Bombay	24th November.	
Arrive	Karachi	26th „	
Depart	„	2nd December.	
Arrive	Lahore	3rd „	
Depart	„	9th „	
Arrive	Delhi	10th „	} Delhi evidence will be taken at this time and not in March.
Depart	„	15th „	
Arrive	Cawnpore	16th „	
Depart	„	21st „	
Reassemble	Calcutta	5th January 1922.	
Depart	„	20th „	
Arrive	Rangoon	23rd „	
Depart	„	27th „	
Arrive	Madras	30th „	
Depart	„	7th February.	
Reassemble	Bombay	20th „	
Depart	„	6th March.	
Arrive	Delhi	8th „	

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6. Replies and all communications should be addressed to the Secretary, Indian Fiscal Commission, Simla, up to the 31st October 1921. Thereafter they should be addressed to the Secretary, Indian Fiscal Commission, Camp, without the addition of the name of any post town.

QUESTIONS FOR WITNESSES.

A.—General.

The existing Indian import tariff is based primarily on revenue considerations. But it has been modified with a view to admitting free or at the favourable rate of 2½ per cent. articles the cheap import of which was considered desirable in the interests of the country. Thus certain raw materials, manures, agricultural implements, dairy appliances and cotton yarn are admitted free. Machinery, iron and steel and railway plant and rolling stock pay only 2½ per cent. *ad valorem*. The general rate, under which come the bulk of imports, is 11 per cent. *ad valorem*, while certain articles such as motor cars, jewellery and silk goods have been specially subjected from revenue considerations to a duty of 20 per cent. Sugar is charged at a special rate of 15 per cent. and high duties are imposed for revenue purposes on tobacco and liquors. An excise duty at the rate of 3½ per cent. is levied on all woven cotton goods manufactured in power mills in British India.

Export duties imposed for revenue purposes are at present levied on raw and manufactured jute, rice and tea. In 1919 an export duty was also imposed on raw hides and skins, with a rebate of ¾ of the duty on hides and skins exported to any part of the Empire. The object of the duty was partly to foster the Indian tanning industry and partly to maintain a key industry within the Empire.

A Revenue Tariff.

1. Do you generally favour a policy of free trade or protection? If the former, have you any objection to the imposition of customs duties for the purpose of obtaining revenue?

2. Do you consider that a tariff provides a more or a less suitable form of taxation for India than direct taxation? If fresh taxation were necessary would you prefer an increase in customs to an increase in direct taxation?

3. If you accept the principle of imposing a tariff for revenue purposes would you suggest any change in the list of articles taxed or in the rate of taxation?

4. Do you consider that the tariff should continue to be based on existing principles? If so, please explain your views as to the advantages of this policy.

5. What effect do you consider the existing tariff policy has had on Indian industries in the past, and what effects on Indian industries would you anticipate from a continuance of this policy in the future?

6. When a duty is imposed on an article imported from abroad do you approve in theory or in practice of imposing an excise duty on the same article manufactured in India?

7. If you favour the imposition of excise duties is it on the ground that no protection of any kind should be afforded to the home manufacturer as against the foreign manufacturer?

8. Can such duties be imposed without raising the price to the consumer?

A Protective Tariff.

9. Do you consider that the tariff should be framed primarily with the object of fostering Indian industries? If so, please explain the advantages anticipated.

10. Do you look forward to India becoming in time independent of other countries in regard to all her requirements of manufactured goods, or do you consider that there are certain manufactured goods for which she is always likely to be dependent on other countries? If you hold the latter view can you furnish a list of articles for which India will have to depend on other countries?

11. Would you, for the purpose of developing Indian industries, favour the imposition of protective duties on all imported manufactures or only on some?

12. If you favour the protection of some industries only, which would you select for protection and on what principles?

13. Do you consider it desirable to establish new industries by protection? If so, on what principles would you select them?

14. Would you confine protection to industries which are likely after a period to be able to face foreign competition without such assistance, or would you contemplate the establishment of industries which would be likely to require continuous assistance?

15. Would you grant special protection against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions? If so, what means would you suggest for ascertaining the exact facts and what measures would you advocate to afford the necessary protection?

16. What is your attitude towards hand industries and in particular towards the cotton handloom industry? Do you wish them to be maintained or not?

17. Is there any danger in India of protection leading to combination among the protected manufacturers in order to maintain a quasi-monopoly price? If so, what safeguards would you suggest to counteract the effect of such a combination?

18. Do you think that, if a protective policy is adopted, it is likely that British or foreign industrial firms will endeavour to establish themselves in India in order to get the benefit of the protective tariff? If so, what would be your attitude towards such a movement?

19. In countries under a protective system it sometimes happens that producers of raw material ask for protection, while manufacturers who use the raw material oppose them, wishing to get their raw material as cheaply as possible. In the same way a demand of the spinning industry for protection is sometimes opposed by the weaving industry whose interest lies in cheap yarn. Do you think that conflicts of interest of this nature would be likely to arise in India and that if they did arise there would be any difficulty in adjusting them?

Effect of Protection on prices and on the consumer.

20. When an import duty is imposed, do you consider that ordinarily the whole or any part of it is passed on to the consumer in a rise of price?

21. If a protective duty causes a rise in price, is that rise likely to be permanent or not?

22. Would you be willing to accept an increase in price to the Indian consumer for the sake of developing Indian industries?

23. In considering the above question would you have regard to the point whether the protected article was a necessary of life? If so, what articles would you class as necessaries?

24. If you hold that an increase in the tariff rates would tend to increase the cost of living in India do you think the increased cost would be covered wholly or in part by a rise in wages or salary for—

(*a*) the industrial wage earner,
(*b*) the agricultural wage earner,
(*c*) the middle classes.

Effect of Protection on Foreign Trade.

25. What effect do you consider a policy of protection would have on the foreign trade of India and on the general commercial position and prospects of the country?

Use of Tariff for bargaining.

26. Do you consider that the existence of a tariff which could be used as an instrument for bargaining with other countries would be advantageous to India?

27. If so, would you recommend the adoption of general and special tariffs, the special being applied to countries from which India receives favourable treatment?

28. If the tariff is to be used in this way, would it be necessary to make it more detailed than it is at present?

Organisation for investigating the claims of Industries.

29. If a policy of protection were adopted would you recommend any kind of permanent organization for investigating the claims of various industries to protection from time to time and for the periodical readjustment of tariff rates?

Export duties.

30. What is your view of the proper function of export duties? Do you think that they should be imposed only for the purpose of raising revenue or do you think that they may be utilised for other purposes also?

31. What do you consider generally is the effect of export duties on the export trade? Can they in certain circumstances be imposed without injury to the trade? If so, in the case of what trades in India could this be done, and to what extent?

32. Would you consider it advisable to impose an export duty on a raw material in order to encourage its retention in India either for purposes of manufacture or for any other purpose? If so, please examine instances in which you would recommend such action and consider whether it would have any effect on the producers of the raw material and the amount they would produce.

33. Do you consider that it would be of advantage to India to impose an export duty on foodstuffs with a view to controlling their export and thereby lowering Indian prices and the cost of living? What effect do you consider such action would be likely to have on the agricultural interests and on the quantity of foodstuffs produced in India?

34. Would you consider it advisable to impose an export duty on a raw material in retaliation for an import duty imposed by a foreign country on the manufactured article? If so, please examine cases in which you would recommend such action.

B.—Imperial Preference.

At present reduced duties are levied by Canada, Australia, South Africa and New Zealand on a number of articles imported from the United Kingdom. In Canada, Australia and New Zealand the preferential duties are usually about ⅔ of the full duty, though the fraction varies considerably both above and below this figure. The South African preference is a small one and is usually only a rebate of 3 per cent. *ad valorem*.

The United Kingdom has recently established preferential rates which are granted to the whole Empire on nearly all articles on which import duties are levied in the United Kingdom. The preferential rate is as a rule either ⅔ or ¾ of the full rate.

A number of the smaller colonies grant preferential rates to the United Kingdom, and there are also various agreements between different parts of the Empire for mutual preference.

The countries which at present levy a lower rate of duty on certain goods imported from India as compared with the general duty levied on imports from foreign countries are the United Kingdom, Canada and New Zealand.

The articles of interest to India on which such lower duties are levied in the United Kingdom are tea, coffee and tobacco. These are all charged ⅚ of the full rate. In the case of Canada the only Indian imports of any account are tea, jute cloth and raw hides. There is no duty on raw hides or jute cloth. On Indian tea the rate is 7 cents per lb. as against the rate of 10 cents on tea imported from countries outside the Empire. New Zealand imports from India a small quantity of tea which pays 3*d*. per lb. as against the rate of 5*d*. charged on tea imported from outside the Empire, and a small quantity of candles which are charged 1½*d*. per lb. instead of 2½*d*. Other imports from India into New Zealand are for the most part either free or receive no special treatment.

35. Are you on general grounds favourable to the idea of Imperial Preference? If so, do you think that India would be justified in risking any appreciable economic loss for the sake of Imperial Preference?

36. Would you differentiate between the policy to be adopted towards the United Kingdom and towards other parts of the Empire?

37. Do you anticipate any material loss or gain to India from a system of Imperial Preference? In particular, do you apprehend any likelihood of retaliation by foreign countries against India?

38. If you are in favour of preference, can you give a list of articles imported into India and exported from India to which the policy of preference might be applied? What would you consider a reasonable average rate of preference?

39. What principles would you apply in selecting articles to which preference might be given on import into India? Would you give preference in the case of goods which India hopes in time to manufacture mainly or entirely for herself, or only in the case of goods for which India is likely to have to depend on other countries?

40. If preference were given by raising the import duties on goods coming from foreign countries, the existing rates being maintained for British goods, do you anticipate that this would raise the price to the consumer or not?

41. Do you think that a system of Imperial Preference is likely to increase or diminish the total volume of Indian imports or exports, or to alter appreciably the proportion between them and thus affect the balance of trade?

42. Do you consider that the partial or complete diversion of trade from foreign countries which might result from Imperial Preference would have any effect on India's general trade position?

C.—Manufactures.

43. Are you interested in any industry and if so, in what capacity?

44. Do you consider that there are natural advantages for the industry in India? If so, please enumerate them.

45. Do you consider that the industry is essential to the national security or of substantial importance to the economic prosperity of India?

46. What is the state of organization and equipment of the industry in India as compared with that in other countries?

47. On what markets does the industry depend for the sale of its output?

48. What foreign competition (including for this purpose competition from the United Kingdom or other parts of the Empire) does the industry have to meet—

(*a*) in the Indian market;

(*b*) elsewhere?

Does this competition extend to all or only to particular classes of goods, and does it vary with different classes of goods?

49. Apart from questions of organization and equipment are there any special circumstances, natural or artificial, which give the competing country an advantage?

50. Do you think that the industry needs protection? If so, what rate of duty do you consider it is necessary to impose? Please give in detail the facts and figures on which you base your conclusions.

51. Do you think it likely that if protection is granted, the industry will eventually reach a level of development which would enable it to face foreign competition without the aid of protection, or do you think the industry will always remain to a greater or less degree in need of protection?

52. Does the industry ever suffer from dumping? If so, do you wish to suggest any remedy?

53. Is competition from other countries accentuated by depressed exchanges in those countries?

54. If so, is this phenomenon likely to be temporary?

55. Do you consider that any remedy is required? If so, what would you suggest?

56. Has the industry received any benefit from the successive enhancements of the tariff beginning in 1916? Can you describe the effects, so far as yet apparent?

57. Do you think the industry has suffered in any way from export duties? If so, please give in detail the facts and figures from which this conclusion is drawn.

58. Is the finished product of the industry used as the raw material for any other industry? If so, to what extent?

59. Does the industry use as its raw material the finished product of any other industry which is established or is likely to be established in India?

60. Would you prefer a system under which all industries would receive a more or less uniform protection, or one under which industries receive varying amounts of protection in accordance with their needs?

D.—Export Trade.

N.B.—These questions are intended not only for actual exporters, but also for those who produce for export.

61. What articles do you export and to what countries?

62. Are you interested in any of the articles on which export duties are levied? If so, what do you consider has been the effect of these duties?

63. Do you recommend the increase, reduction or abolition of any of the existing export duties?

64. Is the Indian export trade in any way hampered by high import duties imposed in certain countries? If so, do you consider any action feasible or desirable?

65. Do you think the export of any articles in which you deal would be stimulated by a preferential rate granted by the United Kingdom or any of the Dominions or Colonies? If so, what would you consider the minimum rate of preference for each article which would exercise an appreciable effect?

66. Do you consider that the lower duties at present levied on certain imports from India into the United Kingdom or Canada or New Zealand, as compared with the general duty levied on imports from countries outside the Empire, have had or are likely to have any beneficial effects on the Indian trade in those articles?

67. Do you think that any foreign country whose trade might suffer by a system of Imperial Preference would be able without injury to itself, or would be likely even at the cost of injury to itself, to penalise the Indian export trade to that country? If so, what are the Indian exports that might suffer?

68. If owing to a system of Imperial Preference the imports from certain foreign countries diminished, do you consider that this would tend to have any effect on the volume of Indian exports to those countries?

69. If so, would there be an alternative outlet for these exports, without economic disadvantage, within the British Empire or in other foreign countries?

E.—Import Trade.

70. What articles do you import and from what countries?

71. Have you observed any effects on your trade in particular articles from the year 1916 up to date, which can be ascribed in part or in whole to the changes in the rates of import duty?

72. Do you consider that an appreciable increase in the present tariff rates would seriously diminish the volume of imports? Can you give instances of any important commodities in which such a result is likely to occur?

73. What would you expect to be the effect on the import trade of a preference given to British goods—

(*a*) if the preference were given by maintaining the existing rate for foreign goods and reducing it for British goods;

(*b*) if the preference were given by maintaining the existing rate for British goods and enhancing it for foreign goods; and

(*c*) if the preference were given by a combination of (*a*) and (*b*), *i.e.*, raising the rate for foreign goods and reducing it for British goods?

74. If Imperial Preference were introduced would you recommend that the same preference on the same goods should be granted to all constituent parts of the Empire, or would you treat each part of the Empire separately, taking into account the question of what reciprocal benefits India would receive?

75. Do you think it likely that a system of Imperial Preference would diminish or increase the total import of any class of goods, or would it merely tend to alter the proportion in which that total is derived from foreign and British countries?

76. Would any undesirable results follow from diverting the source of Indian imports from foreign to British countries?

77. If you are favourable to Imperial Preference, to what articles would you be prepared to extend a preference if imported from the Empire or particular parts of the Empire, and what would you suggest as the amount of that preference?

78. Do you approve of the system of *ad valorem* customs duties, or would you prefer that the duty should be specific, *i.e.*, a fixed charge for a given weight or measure? If you prefer the latter system, what are your views on the necessity of readjusting the duties from time to time?

F.—Retail Trade.

79. What are the principal imported goods in which you deal?

80. To what extent can changes in the retail prices of imported goods from 1916 onwards be attributed to the increases in the import duties during that period? Can you give details of any such changes in retail prices with which you are familiar?

81. In the case of any important classes of imports can you give any figures showing to what extent demand diminishes as prices rise?

82. Have the increases in the tariff since 1916 affected your trade in any way?

83. What would you expect to be the effect on your trade if imports from the United Kingdom or from the whole Empire were taxed at existing rates while the duty on imports from foreign countries was raised?

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Witness No. 93.

THE MADRAS CHAMBER OF COMMERCE, MADRAS.

Written statement dated the 21st November 1921.

13643. *Q.* 1. The Chamber favours a policy of Free Trade, but has no objections "to the imposition of customs duties for the purpose of obtaining revenue."

13644. *Q.* 2. The Chamber considers that a tariff provides a more suitable form of taxation for India than direct taxation. The latter is often unpopular, and sometimes evaded, and frequently difficult of collection. The same objections do not apply to indirect taxation.

If fresh taxation were necessary the Chamber would, therefore, prefer an increase in customs to an increase in direct taxation.

N.B.—It must be promised, however, that this holds good only up to a point. If an increased tariff checks consumption so much as to keep stationary, or reduce the yield from duties, direct taxation is the only alternative.

13645. *Q.* 3. The Chamber has no change to suggest in the list of articles taxed or in the rate of taxation. Both points should be arranged from time to time according to the needs of revenue purposes.

13646. *Q.* 4-5. The Chamber sees no reason to depart from existing principles in basing the tariff.

Under the existing policy, Indian industries cannot be said to have been hindered; on the contrary, they have flourished greatly. The Chamber would not anticipate any adverse effect on Indian industries from a continuance of the existing tariff policy.

13647. *Q.* 6. In theory, and logically applied, a Free Trade policy which imposes a duty on an article imported from abroad calls for an excise duty on the same article manufactured in India.

But the Chamber is for a large latitude in practice. The Chamber approves of excise duties for the purpose of obtaining revenue, as it does in the case of import duties, and in the belief that indirect taxation is better suited to India than direct taxation.

13648. *Q.* 7. The Chamber favours the imposition of excise duties for revenue purposes only, and not on the ground that no protection whatever should be afforded to the Home manufacturer against the foreign manufacturer.

13649. *Q.* 8. The Chamber is afraid that no duties, either import or export, can be imposed without raising the price to the ultimate consumer.

13650. *Q.* 9. No. The tariff should be framed primarily for the purpose of obtaining revenue. The object of fostering Indian industries should be a secondary consideration.

13651. *Q.* 10. The Chamber considers there are certain manufactured goods for which India is always likely to be dependent on other countries. Such goods are, perhaps, too numerous to mention, but the Chamber would instance fine classes of textiles, plain, dyed and printed. Grey and dyed yarns of high counts, machinery, copper and other metals to a great extent, glassware, tools, hardware, matches, paper, drugs, dyes, gold and silver thread.

13652. *Q.* 11. For the purpose of developing Indian industries the Chamber has no objection to the imposition of temporary protective duties on some imported manufactures, certainly not on all.

13653. *Q.* 12. Those industries which it is reasonable to expect that India could make a permanent success of.

Those already made a success of the Chamber would not protect.

13654. *Q.* 13. Not desirable, but for the purposes of assisting development the Chamber has no objection to temporarily protecting industries that give promise, after a fair trial, of standing alone.

13655. *Q.* 14. Only the former, never the latter.

13656. *Q.* 15. Not as a general principle. But if, after considering every instance on its merits, the Chamber were satisfied that such actions by foreign countries as dumping, bounties, subsidies and transport concessions, were undoubtedly injuring desirable Indian industries, it would have no objection to grant special protection to such Indian industries by imposing countervailing duties equal to the bounty, subsidy or concession granted by the foreign country.

13657. *Q.* 16. The attitude of the Chamber is benevolent towards hand industries, and, in particular, the cotton hand-loom industry, but the Chamber thinks they should maintain themselves. The Chamber might assist them to a small extent. But the Chamber fears they must give way to the power industry.

13658. *Q.* 17. There is such a danger, but reasonable combination of similar interests cannot be objected to. If such combination becomes unreasonable, undesirable or a public danger, protection could be withdrawn, Excise duties increased, or other steps taken as might be found necessary.

13659. *Q.* 18. Yes, not only quite likely, but might naturally follow. The Chamber would welcome all industrial firms.

13660. *Q.* 19. Under a protective system conflicts of the nature described are quite likely to arise. Therein lies the danger, because everybody cannot get protection. But the Chamber would not anticipate any great difficulty in adjusting such conflicts, so long as it is admitted that, as far as possible, raw material should be free.

Effect of protection on prices and on the consumer.

13661. *Q.* 20. As in answer to No. 8, the Chamber considers the whole of the duty is ordinarily passed on to the consumer in a rise of prices.

13662. *Q.* 21. The rise in price will be as permanent as is the duty. If the duty is reduced or withdrawn, the price will come down accordingly.

13663. *Q.* 22. Yes, to some extent in suitable industries—see answers to 11-13.

But it will not be fair to the Indian consumer to pursue this policy indefinitely. If, after a fair trial, any protected industry cannot stand alone, it should be given up, as unsuitable to the country, and cheaper for the country to import the foreign manufactured article.

13664. *Q.* 23. The Chamber would include articles classed as a necessary of life in answer to 22.

13665. *Q.* 24. The Chamber believes that an increase in the tariff rates would tend to increase the cost of living in India; on the other hand, the Chamber has very little to go on that such increased cost would be covered wholly or in part by a rise in wages or salary for (*a*) the industrial wage earner, (*b*) the agricultural wage earner, (*c*) the middle classes.

An increase in income-tax does not connote a rise in salary for assessees.

And with reference to the conflicts suggested in question 19, an increase in the tariff rates might warrant one industrial concern paying higher wages while it would prevent another.

Effect of protection on Foreign Trade.

13666. *Q.* 25. The Chamber cannot imagine a policy of protection increasing the Foreign Trade of India or improving India's commercial position and prospects generally.

Use of Tariff for bargaining.

13667. *Q.* 26-27. The Chamber is doubtful, speaking generally, of the advantages of using a tariff as an instrument for bargaining with other countries.

13668. *Q.* 28. Yes, it would seem likely.

13669. *Q.* 29. Yes, this also would seem necessary.

Export Duties.

13670. *Q.* 30. The proper function of export duties, in the opinion of the Chamber, should be for the purpose of obtaining revenue.

13671. *Q.* 31. It must be admitted that export duties will adversely affect the export trade, and they must be imposed cautiously.

13672. *Q.* 32. Generally speaking, no. If export offers a better market to the producer than the home market, he must be allowed to export or he will cease to produce.

13673. *Q.* 33. The Chamber cannot say that it would be an advantage to India to impose an export duty on foodstuffs, thus controlling their export and thereby lowering Indian prices and the cost of living. If the Chamber were satisfied, it would favour the policy. The danger of adopting such a policy would be to make the agriculturist stop growing foodstuffs and go in for commercial crops.

13674. *Q.* 34. Not as a general principle, but the Chamber is prepared to consider specific cases where circumstances may seem to warrant it.

The question of retaliation is not easy. Adopted as a general principle it might do more harm than good.

13675. *Q.* 35. On general grounds the Chamber is favourable to the idea of Imperial Preference. But the Chamber hardly thinks India would be justified in risking any appreciable economic loss for the sake of Imperial Preference.

The Chamber is for seeing the way clearer, and any economic loss reduced to a minimum.

13676. *Q.* 36. The Chamber would not differentiate between the policy to be adopted towards the United Kingdom and other parts of the Empire if they did not differentiate towards India.

13677. *Q.* 37-39. The Chamber would anticipate some loss to India from a system of Imperial Preference. The Chamber does not see why foreign countries should retaliate; but if they did, it would be a question for negotiation. This latter would be the Chamber's point all through, the effect upon every article, carefully weighed in all its bearings, and not simply an including of everything in general tariff of Preference.

13678. *Q.* 40. Yes. To the British goods existing rates on which were maintained, would tend to be added the increased import duties on foreign goods.

13679. *Q.* 41-42. The Chamber is not in a position to say, but is inclined to think there will be no appreciable change.

Oral evidence of Messrs. W. ALEXANDER, F. G. L. WORKE and Sir GORDON FRASER, representatives of the Madras Chamber of Commerce, examined at Madras on the 31st January 1922.

(Mr. Alexander answered most of the questions and in places where others have answered, their names have been mentioned.)

13680. *President.*—*Q.* Gentlemen, you appear as representatives of the Madras Chamber of Commerce?

A. Yes.

13681. *Q.* Your Chamber favours a policy of free trade?

A. Yes.

13682. *Q.* Will you please give your reasons why you urge that free trade is the best policy in the interests of India?

A. Generally speaking we think that it leads to larger trade and that under free trade articles can be had comparatively cheaply.

13683. *Q.* Do you think that the industrial development of a country is to the advantage of that country?

A. Yes.

13684. *Q.* Can you then, if you accept that proposition, tell me any other country which has developed industrially on the lines of free trade.

A. No. We think that of course the United Kingdom has developed industrially under free trade to a certain extent. See in this connection our reply to question 11.

13685. *Q.* I was coming to that. You say that for the purpose of developing Indian industries the Chamber has no objection to the imposition of temporary protective duties on some imported manufactures, certainly not on all and I want to know whether this is consistent with the principle of free trade which you advocate in your answer to the first question.

A. Subject to this provision.

13686. *Q.* Will you please tell me what your Chamber in their reply to question 11 mean?

Do they mean that they would have no objection to the development of industries by the assistance of tariffs, I mean, those industries which have natural advantages and which can be developed in the country?

A. Yes.

13687. *Q.* Their objection is to the imposition of duties on such articles which cannot be developed easily.

A. Yes.

13688. *Q.* That is to say, you would give protection by means of tariffs to all those industries which can be developed and which have natural advantages in India.

A. Yes. That of course is subject again to our reply to question 13 in which we state that the Chamber has no objection to temporarily protecting industries that give promise, after a fair trial, of standing alone.

13689. *Q.* Yes, industries which have natural advantages and which would develop in course of time and stand on their own legs.

A. Yes.

13690. *Q.* As regards the Chamber's answer to question 16 could you tell us whether the Chamber would suggest that hand-industries and in particular the cotton hand-loom industry should be protected to a small extent?

A. Yes, but not to subsidise as it were or stimulate the industry through a large subsidy.

13691. *Q.* In what form would you assist it?

A. At present there is assistance in the fact that there is no duty on imported yarn and no excise, I think, on country manufactured yarn.

13692. *Q.* You would not give them any more assistance than what they enjoy under the present tariff regulations.

A. No.

13693. *Q.* Does the answer to question No. 32, apply to food-stuffs also?

A. Yes.

13694. *Q.* Let me put to you a hypothetical case. India produces a certain quantity of foodstuffs which is only sufficient for its own people and foreign countries which are economically very well to do may offer substantially higher prices to carry the foodstuffs away resulting in semi-starvation in India. What measures would you advocate the people of India to take to conserve supplies?

A. I think that this is answered in our reply to question No. 33 in which we point out that the imposition of an export duty would automatically affect the output.

13695. *Q.* Can you adduce any evidence or any authority to show that the result of regulating the food supplies of the people by means of measures against export would lead to diminution in production?

A. That is our opinion.

13696. *Q.* That is merely your opinion; can you tell us your reasons for this opinion?

A. We think that if there is a shortage of foodstuffs in the country it is the duty of Government to control their export.

13697. *Q.* But would not such control bring about what you apprehend namely a diminution in production?

A. It would to some extent.

13698. *Q.* You think that in the larger interests of the country restrictions could be imposed and food supplies controlled.

A. Yes.

13699. *Q.* If it is thought that this policy could be carried out more advantageously by export duties, would you still oppose it?

A. Not in the case of a shortage of food supplies.

13701. *Q.* That is what I thought from your answer to question Nos. 37-39?

A. The Chamber's opinion on this point should be considered with the other question of free trade. These regulations and rules are detrimental, and if Imperial Preference were carried through it would be necessary to go very fully into the arrangements under which it will be carried through. It would not be good at all to have an all-embracing arrangement which brought in all things under a general tariff. The Chamber is not in favour of Imperial Preference at all.

13700. *Q.* Would you kindly elaborate the answer to the previous question. If the Chamber is not in favour of Imperial Preference, I do not want to argue the point.

No answer.

13702. *Sir Maneckjee Dadabhoy.*—*Q.* When your Chamber refer " to the existing policy " in their answer to questions 4-5 do they mean the policy enunciated in 1921 or the policy enunciated before 1921.

A. The policy which was in existence prior to that date.

13703. *Q.* And it is the opinion of your Chamber that that policy has not hindered the industries of your province?

A. No: on the contrary we say they have flourished greatly.

13704. *Q.* You are speaking of Madras only and not the whole of India?

A. We are talking generally of the whole of India.

13705. *Q.* You do not think that the cotton industry was hindered by the fiscal policy of the Government of India during the pre-war days.

A. We do not think it has been hindered.

13706. *Q.* Was it flourishing? May I put it in that way?

A. Like every other industry it had its ups and downs, but on the whole we think it has prospered.

13707. *Q.* But it had its ups and downs?

A. Yes.

13708. *Q.* And serious ups and downs?

A. Yes.

13709. *Q.* You in Madras are somewhat favourably situated so far as the cotton industry is concerned in that you have fewer and smaller mills and a large home market. You have also no competition. Is not that so?

A. (*Sir Gordon Fraser.*) No. I do not think that we have any special advantages over other parts of India. We are handicapped by the question of fuel and that outweighs a great many advantages. If you consider the ordinary cotton mill, the consumption of coal in the mill is probably double the consumption of cotton, and it seems much better to be near a coal field than near a cotton field. We in Madras are 1,200 miles from our coal.

13710. *Q.* Do you yet your coal from the Singareni coalfields?

A. (*Sir Gordon Fraser.*) No: we get our coal from Bengal.

13711. *Q.* Don't you get the Singareni coal?

A. (*Sir Gordon Fraser.*) We do not get it: it is the railways that get it. Our coal comes from Bengal, and the price we pay for our coal is an extremely serious handicap. The coal is double the tonnage of cotton.

13712. *Q.* On the other hand, you are able to get long staple cotton at a much cheaper rate?

A. (*Sir Gordon Fraser.*) No. The cotton we get from the north of Bombay side is much better than we can get from Southern India.

13713. *Q.* Do you mean by Southern India, Tuticorin and Tinnevelly?

A. (*Sir Gordon Fraser.*) As a matter of fact, talking from experience I may say that we never use Tinnevelly cotton because we find much better results from the better class cotton of the Bombay side.

13714. *Q.* Which side of Bombay?

A. Surat and Broach. We buy in the Bombay market.

13715. *Q.* I understand from your written statement that though your Chamber propounds generally a policy of free trade, they are distinctly in favour of extending protection to such industries as need support.

A. Yes.

13716. *Q.* And that for a definite period only?

A. Yes. Please see our answer to question No. 13.

13717. *Q.* Will you kindly tell us in what ways would your Chamber extend this protective aid,—by high import duties, by bounties or subsidies or what other methods?

A. Protective import duties principally.

13718. *Q.* Please refer to your answer to question No. 16, which refers to hand industries. You say " The Chamber might assist them to a small extent." I suppose you are speaking here principally of Madras and the handloom industry of Madras.

A. No. We are speaking generally of all India.

13719. *Q.* What kind of assistance would you give?

A. We would allow the yarn which they weave to come in on favourable terms.

13720. *Q.* You mean imported yarn?

A. Yes. We would also allow the mill yarn which goes into their hands to be free from excise duty.

13721. *Q.* But there is no excise duty on yarn?

A. Yes. I know. The industry has already been supported in that way.

13722. *Q.* When you said that you might assist them to a small extent, I thought you meant some sort of protection other than those already in existence.

A. I do not think that is our idea.

13723. *Q.* In your local handlooms what kind of yarn do they weave? Higher counts?

A. Fairly high counts. I know of 60*s*. (*Sir Gordon Fraser.*) They buy Indian mill yarn also 10*s*. and 20*s*.

13724. *Q.* But a larger percentage of smaller counts are used?

A. (*Sir Gordon Fraser.*) It is difficult to say. They use a large percentage of Indian yarn, but they also use a fairly large quantity of foreign yarn.

13725. *Q.* As regards the answer to question No. 25 can you explain to us why your Chamber think that a policy of protection would not improve India's commercial position and prospects generally?

A. Well, as I said before, the introduction of protection means the decreasing of the volume of the imported articles and if imports are handicapped or stopped it would bring about a decrease in the volume of exports.

13726. *Q.* You say it would diminish exports?

A. Yes.

13727. *Q.* I gather from your view that your Chamber favour the export of raw materials?

A. I might answer your question in this way. If any particular raw material cannot be manufactured and if manufactured, the industry cannot hold its own against foreign imports without permanent protection, it would be considered that it is to this country's benefit to export such raw material, provided there is a market abroad for it, in preference to manufacturing it in India. (*Sir Gordon Fraser.*) If it can be manufactured in this country and the industry can hold its own after a certain time, then we would admit of a certain amount of protection.

13728. *Q.* If we could establish a manufacturing industry dependent on the raw materials in this country by a temporary protection, then you would extend protection?

A. (*Sir Gordon Fraser*) Yes, provided the industry can hold its own after a certain time without protection.

13729. *Q.* Then you would qualify your answer to question No. 25 to that extent?

A. Yes.

13730. *Q.* Then, I understand from your answers that you are not very much in favour of export duties. Would you prefer control to export duties?

A. (*Mr. Workе.*) We are against export duties. There is a difference of opinion in the Chamber in regard to the export duty on hides and skins. The majority in the Chamber are in favour of keeping the duty as it stands at present with a preference to the Empire. But speaking personally I do not like it at all. I think we are handicapped by it. This is my opinion and not the Chamber's. I do not think it has done any good to the country as a whole. The idea, I think, was to foster tanning in the country, but looking to the result the tanning industry has met with a disaster. There is only one tannery which has been successfully worked at Calcutta.

13731. *Q.* That is in regard to hides and skins. Now, in regard to foodstuffs, would you prefer export duties or control?

A. We are not in favour of export duties on foodstuffs, because if you put on an export duty it would drive the men to growing commercial crops. (*Sir Gordon Fraser.*) Generally speaking we are against export duties on foodstuffs, but if abnormal conditions do arise we say it is the Government's duty to control the exports.

13732. *Q.* How many members are there in your Chamber?

A. About 130 to 140.

13733. *Q.* It comprises cotton and every branch of industry?

A. Yes.

13734. *Q.* Exports as well as imports?

A. Exports, imports and manufactures.

13735. *Mr. Jamnadas Dwarkadas.*—*Q.* I want to clear up one or two points raised by Sir Maneckjee Dadabhoy in his questions. You said that the cotton industry has prospered under the existing policy, *i.e.*, the policy adopted before 1921. Supposing that the industry has prospered has it prospered because of that policy or in spite of that policy?

A. I should think on account of that policy.

13736. *Q.* What was the policy so far as the cotton industry is concerned? There was an import duty and a countervailing excise duty. Considering that the cotton industry was in an infant stage the countervailing excise duty was indirectly a protection to the Lancashire industry?

A. (*Sir Gordon Fraser.*) I think our Chamber has always been against the countervailing excise duty. Years ago we expressed our view against the excise duty.

13737. *Q.* But the existing policy as stated by you included the imposition of a countervailing excise duty?

A. (*Sir Gordon Fraser.*) We support the excise duty from the revenue point of view. What we say is: we do not support it if it is meant to counterbalance the import duty.

13738. *Q.* If you exclude the policy which came into existence after the war, you naturally come to the policy of the imposition of a countervailing excise duty.

A. We did not agree with that in the old days.

13739. *Q.* Then you mean by "existing policy" the policy that existed in 1917 for instance?

A. (*Sir Gordon Fraser.*) What we say is that the Government would be justified in levying excise duties for the purpose of revenue, but we say that excise duties should not be levied on the ground that no protection whatever should be granted to the home manufacturer against the foreign manufacturer. If Government wanted money, they would be justified in levying an excise duty.

13740. *Q.* The existing policy as you have described it included a countervailing excise duty. You say the cotton industry prospered under that policy. Would you support the countervailing excise duty for the reason that the cotton industry has prospered under it?

A. Please refer to our answer to question No. 7.

13741. *Q.* Suppose the countervailing excise duty had not been there, don't you think the cotton industry would have had much better prospects?

A. (*Sir Gordon Fraser.*) I do not think so. The 3½ per cent. duty that was imposed could not have made the slightest difference.

13742. *Q.* Its absence would not have given an impetus?

A. No. We do not think it could have.

13743. *Q.* In answer to question No. 9, your Chamber say that: "The tariff should be framed primarily for the purpose of obtaining revenue. The object of fostering Indian industries should be a secondary consideration." Now, you know that, at the present time India depends almost entirely on agriculture?

A. Yes.

13744. *Q.* The agricultural population is really poor, is it not?

A. The agricultural industry is not poor.

13745. *Q.* When times of scarcity come the country's dependence solely on agriculture makes it difficult for the people to live?

A. It brings about harder times.

13746. *Q.* Don't you think it would be better if the dependence was divided between agriculture and industry?

A. (*Sir Gordon Fraser.*) I think we have already admitted that we are out to improve the industries of the country as far as we can. My own personal view is that it would be much better to improve the agricultural industry of the country.

13747. *Q.* And leave out other industries?

A. (*Sir Gordon Fraser.*) No, not by neglecting one for the other.

13748. *Q.* How can you improve the industries without adopting a policy of protection?

A. (*Sir Gordon Fraser.*) I think the members of the Chamber are agreed that if any industry shows good prospects of ultimate success, they would have no objection to giving protection for a period.

13749. *Q.* Then, I do not know why you make the statement that the tariff should be framed primarily for the purpose of obtaining revenue.

A. (*Sir Gordon Fraser.*) Because we think that the primary object should be to get money for the Government to carry on the Government.

13750. *Q.* Please refer to your answer to question No. 15 about dumping. Can you give an instance of dumping.

A. In the past or at present?

13751. *Q.* In the past as well as at present.

A. One instance that we could give at the moment is the Austro-Hungarian sugar imports which were assisted by a bounty.

13752. *Q.* And you suggest that protective measures should be taken?

A. What we say is this: when this takes place and it begins to bring a hardship to the industries of the country and does affect them, steps should be taken to adjust it.

13753. *Q.* And what steps would you take?

A. We would put on an import duty.

13754. *Q.* Now, you said in answer to Sir Maneckjee Dadabhoy that your handloom industry used imported as well as Indian mill-made yarn. I take it that they imported the finer counts and bought all their lower counts from the mills in India?

A. Yes.

13755. *Q.* That is because you cannot manufacture finer counts here. Now at present all yarn is exempted from duty. Suppose on a recommendation from this Commission the Government imposed a duty on the lower counts of imported yarn, would it affect your handloom weavers at all?

A. (*Sir Gordon Fraser.*) I think it must, because all the yarn imported into this country is used by handloom weavers. I think I am right in stating that none of it goes to the weaving mills.

13756. *Q.* You said that all their lower counts were brought from the Indian mills.

A. We said all yarn up to 30*s*.

13757. *Q.* So, if you put an import duty on all yarn below 30*s*., it would not affect your handloom weavers?

A. Why? It would raise the price of yarn. (*Mr. Workе.*) Would it not be that the Indian mills would put their prices up if you put an import duty on imported yarn?

13758. *Q.* Let us consider it from this point of view. We want money for revenue purposes and we want also to encourage Indian industries. If we put a duty on all yarn up to 30*s*., it would not affect your handloom weavers, because you yourself say that they do not use lower counts of imported yarn.

A. Might I put it in this way? At present we see that everything under 30*s*. is Indian mill yarn. From 30*s*., up the largest quantity is in imports. You are proposing a duty on yarn up to 30*s*. and you say that that would not handicap the handloom weavers. You

would not put an excise duty on Indian mill-made yarn?

13759. *Q.* We shall assume that the present duties would apply. Eleven per cent. import duty and 3½ per cent. excise duty on cotton cloths produced by the mills in India. At present yarn is exempted from duty. Suppose yarn up to 30*s*. is not exempted from duty?

A. I think the question hardly arises, because, as I have said, we agree that there is nothing imported up to 30*s*. The imports are all above 30*s*.

13760. *Q.* In answer to question 19 you say "the Chamber would not anticipate any great difficulty in adjusting such conflict, so long as it is admitted that, as far as possible, raw material should be free." What do you mean by "raw material." A finished article may be a raw material for another industry just as yarn is for cloth manufacture.

A. (*Mr. Worke.*) Any article used for an industry. Take for instance the manufacture of metallic vessels. The metal is the raw material.

13761. *Q.* Would you have that free?

A. No; only as far as possible the raw materials should be free. I don't think that it will entirely be free.

13762. *Q.* (*Mr. Mant.*) I understand that for the purpose of developing Indian industries you propose to impose duties for a temporary period only. Isn't that so?

A. Yes. That is our idea.

13763. *Q.* Would it not be difficult to remove those duties when the temporary period comes to an end? You say in answer to question 22 that "if after a fair trial any protected industry cannot stand alone, it should be given up." Would you not find it difficult to take off the duty when this would kill the industry?

A. Yes, we must admit that there would be difficulty. But we do not like the idea of a permanent duty.

13764. *Q.* In the case of an industry that is established, suppose it has become very successful. In that case also you want to remove the duty. Isn't it so?

A. Yes.

13765. *Q.* Would you not then have another difficulty in the shape of a strong vested interest wanting to retain the duty, of course, assuming that by the time industry is established the interest involved grows correspondingly strong?

A. Yes.

13766. *Q.* Would not that constitute another difficulty?

A. (*Sir Gordon Fraser.*) We hope the Government would be stronger than the vested interest.

13767. *Q.* In dealing with foodstuffs, you say you prefer prohibition, because export duties would tend to restrict production. It was suggested to us the other day that Government should only put on export duties in times of scarcity and high prices. What do you think of this?

A. (*Sir Gordon Fraser.*) If there is scarcity of food in the country and if the food is required in the country, then you should prohibit its export entirely. "Control" is perhaps a better word.

13768. *Q.* I want to know whether the effect you fear, namely the restriction of production, will follow if export duties are imposed merely for the temporary period of scarcity.

A. (*Sir Gordon Fraser.*) I think it would. The cultivator would grow more profitable commercial crops instead of foodstuffs.

13769. *Q.* You say that an export duty would cause restriction of production. Do you say that prohibition or control would not cause the same restriction?

A. No, not in India.

13770. *Mr. T. V. Seshagiri Ayyar.*—*Q.* As regards your statement to Mr. Mant that if a duty is once imposed a strong vested interest may want it to be retained. I believe that if you find that the industry stands on its own legs you will be able to reduce the duty.

A. Yes. It can be brought down bit by bit?

13771. *Q.* You said that if duties were imposed on export it may have the effect of lessening the area of cultivation, or that it may have the effect of driving the people from one kind of crop to another. Is it likely to happen in a place like Madras? There are certain fields which can grow only particular kinds of crops and there are other fields which can grow other kinds of crops. Is it possible for an agriculturist to go from one kind of crop to another because he sees it profitable to him?

A. The high price of groundnuts has increased the area of groundnut cultivation.

13772. *Q.* That may be so. But suppose there is a slump in a particular crop. Would that drive people to cultivating other kinds of crop? For example take groundnut. It is grown upon what is called dry land, and hardly any other crop can be grown on those lands.

A. There is also the question of coolies.

13773. *Q.* Moreover there is this matter which has to be taken into account in Madras; men who are engaged in paddy cultivation are not likely to be tempted away to another kind of work.

A. I should think the other way. I have not got a good knowledge of the subject, but I think that higher pay should drive them straight away at once.

13774. *Q.* They would hardly be capable of doing any other work. The *pallars* and *pariahs* who are working in the fields would not be able to do any other kind of work even if you tempt them with higher pay.

A. (*Sir Gordon Fraser.*) That argument would rather go against putting this self-same man into a new industry.

13775. *Q.* Then you think you would be able to train them up?

A. An agriculturist, if he could cultivate one crop, could surely cultivate another.

13776. *Q.* Does hope play a large part in shaping the destinies of men?

A. I don't think so.

13778. *Q.* I believe you are more largely interested in exports and imports than in manufactures.

A. We are interested in all, manufactures too.

13778. *Q.* In what manufactures are you interested?

A. Cotton, leather, tanneries, mining, etc.

13779. *Q.* Your Association is more largely representative of export and import trade?

A. I can only say that it represents the whole lot.

13780. *Q.* Do you know that the weavers of Salem, Dindigul and other parts largely take finer counts of yarn?

A. No, we do not know that. Generally all handlooms use finer counts.

13781. *Q.* Would it not discourage the handloom industry if you put one duty upon imported yarn?

A. Any duty on yarn must hit the handloom industry.

13782. *Q.* As regards foodstuffs, supposing there is famine in the country; do you think any prohibition of export would have a beneficient effect?

A. We say that in time of shortage there should be a control.

13783. *Q.* Do you consider that to be much better than imposing a duty on exports?

A. Yes, it would be more feasible.

13784. *Q.* As regards your answer to question 18 the view has been expressed before this Commission that, in the event of foreign firms establishing themselves in India to obtain the benefit of any tariff wall, it would be as well to insist as far as possible that the management should be in this country, that is, the managing Board should be in this country. Do you agree with that view?

A. No.

13785. *Q.* If the management is in England and the firm is established in India as you find in the case of railways, there is likely to be a great deal of confusion?

A. But you can hardly get the people here to invest their capital.

13786. *Q.* So you would not restrict foreign capital coming to India?

A. That is our idea.

13787. *Q.* Will you please refer to the Chamber's answer to question 36? Supposing politically the inhabitants of this country who emigrate to another country are badly treated there. Would you give the same kind of treatment to that country (I have in mind the case of South Africa) as you would give to the United Kingdom?

A. If you raise questions of that sort the whole thing will become complicated. Besides it is a political consideration.

13788. *Q.* Political considerations also control the issue.

A. I think we must adhere to the answer to question 36.

13789. *Q. Mr. Coyajee.* In answer to Mr. Jamnadas Dwarkadas you stated that the 3½ per cent. excise duty did not make any difference at all in regard to the progress made by the cotton mills in India. Will you please state whether you mean that historically?

A. No.

13790. *Q.* Then there must have been circumstances on the other side which went to counterbalance it.

A. At the time the 3½ per cent. import duty and the 3½ per cent. excise duty were imposed on cotton, the 3½ per cent. excise duty did not in any way hinder the mills.

13791. *Q.* Do you imply that there were certain geographical and natural conditions which had largely a counterbalancing effect?

A. (*Sir Gordon Fraser.*) Yes, I think so. Indian cotton mills have done well. They are still thriving and increasing.

13792. *Q.* It has been stated that the present excise duty has raised the price of piece-goods to the consumer of India. That has been the argument of several witnesses.

A. (*Sir Gordon Fraser.*) I think that the excise duty has not had any effect at all, because the mills are making enormous profits. The 3½ per cent. excise duty is paid by the consumers.

13793. *Q.* If the excise duty is smaller than import duties, does it raise prices?

A. (*Sir Gordon Fraser.*) I think so.

13794. *Q.* There is another set of witnesses who argue that prices are fixed by the price of imported goods which contains the import duty and therefore the excise duty which is smaller than the import duty does not affect the consumer. How far do you agree with this view?

A. Our idea is that the price is fixed on the 3½ per cent. excise.

13795. *Q.* Do you conclude that the excise duty does affect the consumer and that it does raise the price?

A. Yes.

13796. *Q.* Does the excise duty mean high prices to the consumer?

A. Our view is that the price of some articles made locally goes up to the same level as the price of imported article. In the case of cotton the 3½ per cent. excise duty is lost in the 11 per cent. import duty and the consumer pays it.

13797. *Q.* In answer to question 15 regarding bounties, subsidies, etc., you say that if there is dumping you must put some sort of protection. Are you aware at the present time of a tangible amount of dumping? or are you hit by any unfair competition in the way of subsidies or transport facilities?

A. (*Sir Gordon Fraser.*) We cannot say so at present. If trade resumes its normal condition there may be dumping.

13798. *Q.* Are you aware of considerable imports due to the depreciated currency? *i.e.*, that owing to depreciated currency, Germany and other Countries are selling their goods unfairly in India?

A. We have seen a comparatively large increase of the business of Germany.

13799. *Q.* We were told in Burma and Calcutta that the prices had gone down owing to depreciated currency.

A. Yes, it is true.

13800. *Q.* Do you think that depreciated currency has some effect?

A. Yes.

13801. *Q. Sir Montagu Webb.* Could you tell us what industries your Chamber represent?

A. Cotton mills, tanning, leather manufacture, engineering, mica mining and the West Coast trade such as coir, etc.

13802. *Q.* I see from the Chamber's written statement that your Chamber are free traders, but that you make certain orthodox exceptions, for example you would have no objection to depart from a free trade policy with regard to infant industries—*vide* answer to question 13. Would you have any objection to stimulating other industries for which this country might have the raw materials?

A. No.

13803. *Q.* Would you be prepared to go further and encourage the establishment of industries in this country that might be described as of national importance, such as steel, iron, copper and any other industries of national importance for defence purposes or war purposes?

A. Only in so far as that could be done on the lines indicated in answer to questions 13 and 22.

13804. *Q.* With regard to industries of national importance, do you consider that something might be done to those industries?

A. We consider that there should be assistance, but we are against permanent support. They should be able to stand independently in time.

13805. *Q.* You do not think that it would be wise to establish any industry which is of national importance even if it could not be kept going except by a permanent tariff? Take iron and steel for instance.

A. (*Sir Gordon Fraser.*) Name one industry which is not of national importance. I cannot think of one which could be exempted.

13806. *Q.* Madras produces lead pencils. But you cannot say that the pencil industry is of national importance.

A. (*Sir Gordon Fraser.*) But the fact remains that the term "industries of national importance" will include practically every big industry in India, such as jute, cotton and other things. It will be very difficult to exclude such industries.

13807. *Q.* I think there are many industries the raw material of which are freely available in India that you could *not* class as being of national importance. Would your Chamber be prepared to recommend them for assistance as in the case of industries of national importance, if it was worth doing it?

A. (*Mr. Alexander.*) Yes. (*Sir Gordon Fraser.*) But your phrase is too general.

13808. *Q.* We have heard in other parts of India other reasons too, which might perhaps be used, for making some contribution from the national income for the development of industries. For example, we mentioned this morning the desirability of having diversity of occupation for the people for the training up of Indians in other employments. Does that argument carry weight with you? If Indians are more largely employed in important industries they would have a wider outlook on the affairs of the world at large. Some feel that if Bombay is pre-eminent in the political world, it is largely because in Bombay there are great industries which are managed by Indians and they gain experience thereby. Is this a consideration that should guide us?

A. We have admitted that principle.

13809. *Q.* It has been suggested to us that even where agriculture is thoroughly successful the accumulations of capital arising therefrom are distributed over the whole country and are very difficult to get at, whereas in the case of industries, capital accumulations are concentrated in one locality and are readily available for further developments. That has been suggested as an argument in itself for stimulating mildly the industrial development of India. Would you regard that as an argument that should influence us in deciding upon India's fiscal policy in any way?

A. I think we are in agreement with it.

13810. *Q.* Lala Harkishen Lal of Lahore told us that so far as industries are concerned he would nurse the babies, protect the children and free the adults. Is that a policy which would commend itself to you?

A. That is our policy entirely. We believe in assistance up to a certain point.

13811. *Q.* I think this attitude is very widely adopted by some people who call themselves "discriminators" rather than strict orthodox free traders. Do you think that the Madras Chamber could be classed as a discriminator in this connection? Does the Chamber think that it is best to follow free trade doctrines modified by certain considerations which many consider to be sound?

A. Yes, provided free trade policy is the base.

13812. *Q.* You are in favour of countervailing dumping and other unfair advantages. That implies also a certain departure from your orthodox free trade.

A. Yes.

13813. *Q.* In that connection could you tell us how to identify the goods that are being dumped. We find it rather a difficult problem to decide when goods are being dumped. We are told that paper and paper pulp is now being dumped in this country by Germany and Sweden. Supposing we are agreed that legislation should be taken against dumping, how should we set down the definition of goods that are being dumped?

A. I think you should get the information through the Chambers. The information will be supplied by persons who are in that trade and who are feeling the lower prices at which the goods have been brought in.

13814. *Q.* I think you said in answer to Mr. Coyajee that there *may* be dumping, and that protection is required against dumping. You might remember the dumping of sugar in Lord Curzon's time which led to countervailing duties. Would you depend upon the information supplied through the Chambers?

A. (*Sir Gordon Fraser.*) The definition of dumping given in the Canadian Act used to strike me as very sound.

13815. *Q.* But they are constantly changing the definition.

A. (*Mr. Alexander.*) I think it would be best to depend upon the information supplied through the Chambers. As soon as an industry in the country sees signs of such dumping we can take action.

13816. *Q. Mr. Narottam Morarjee.* In reply to questions 4 and 5 your Chamber say "Under the existing policy Indian industries cannot be said to have been hindered; on the contrary they have flourished greatly." Are you supposing that industrial development in India has been adequate in view of the size of India and its raw materials?

A. No. We think it should be greatly developed.

13817. *Q.* In reply to a question put by Mr. Coyajee you said that the excise duty has not hindered the progress of the Indian cotton mills. Can you tell me how much money has been paid to Government as excise duty?

A. No.

13818. *Q.* Over 30 crores of rupees have been paid, and if this sum had gone to the millowners would they not have increased the number of mills?

A. If that money had been diverted to the owners it is very difficult to say whether the result would have been an increase in the number of mills. The shareholders might have got the extra money.

13819. *Q.* Before the war the shareholders did not get more than 7 or 8 per cent. Some of the mills paid good dividends, but some did not pay anything at all.

A. Yes. That is so.

13820. *Q.* Do you know that India has lost the Chinese market altogether in yarn.

A. (*Sir Gordon Fraser.*) Because China has put up her own mills and India has a better market at home.

13821. *Q.* Has she lost it owing to Japanese competition?

A. Probably.

13822. *Q.* In 1912-13 India imported from Japan about 6 million yards of cloth; in 1916-17 she imported 100 million yards; in 1918-1919 she imported 230 million yards. How do you account for it?

A. (*Sir Gordon Fraser.*) Because the country wanted it. Although there have been those imports of Japanese yarn I do not think the Indian mills have carried stocks that have not been consumed here.

13823. *Q.* Our production was curtailed owing to shorter hours.

A. Still the whole of your production has been selling, has it not?

13824. *Q.* Do you know what the condition was before the war?

A. It is rather difficult to say.

13825. *Q.* Before the war and during the war even Japan sold at much cheaper prices than what people could produce at.

A. The Indian mills were growing extraordinarily well and were not carrying stocks.

13828. *Q.* If you were in the cotton trade you would know that the Japanese cloth is much cheaper than what the Indian mills could sell at.

A. It may be. But at the same time it does not mean that the Indian mills have been suffering at all. Is it your argument that more mills ought to be put up?

13827. *Q.* Not that. I want to point out that the Japanese are getting some subsidies.

A. (*Sir Gordon Fraser.*) Of course during the last 7 years it has been almost impossible to increase the mill industry because you could not get machinery, and up till now nobody would have put up a mill except some few people who could afford to pay the very high prices that would have to be paid for machinery.

13828. *Q.* But Japan has been increasing production by getting machinery from America.

A. You are talking of the Japanese mills practically dumping their stuff on Bombay. But the present state of affairs does not suggest that the Bombay mills have actually suffered. If we are going to take action we should see that the industry has suffered from the dumping of cotton products.

13829. *President.*—*Q.* In reply to Sir Montagu Webb you said that you would depart from the principles of free trade in the various directions which he indicated. When there are so many directions in which you depart from a strict free trade principle, when you allow protection to Indian industries and have no objection (as you express yourself in your answer 11) to the imposition of temporary protective duties on some imported manufactures, and in view of the various other protections which you have admitted, I do not know why in face of all that, you still desire the laying down of a free-trade policy as the base. I should like you to explain that a little more fully.

A. We believe of course that the free-trade policy is the base of all. We acknowledge that revenue is necessary for a country and therefore an exception must be made there. We also acknowledge that in a country like India certain industries have got to be created and encouraged, and so far as assisting them goes, we are willing to depart from the hard and fast free-trade policy. Roughly this is our attitude.

13830. *Q.* I am asking you whether you merely lay down that proposition as a matter of sentiment or theory.

A. It is our considered opinion, on the experience we have gained here. We might go further and say that if it could be worked as free trade without impediments of any kind we would like to abolish all hinderances to trade such as assistance and other things. We look upon all such things as impediments.

13831. *Q.* You admitted to me in my examination that industrial development in India was necessary and desirable?

A. Yes.

13832. *Q.* You further admitted that for that purpose you would give protection as indicated in your answer to question 11?

A. Yes.

13833. *Q.* I asked you to name any country in the world which has satisfactorily developed its industries under free-trade principles, and you could name none.

A. (*Sir Gordon Fraser.*) I think that both England and India have made extraordinary progress in the last 10 years in industries.

13834. *Q.* We have been told that England built up its industries under a policy of protection before it adopted free trade. Do you know anything at all about it?

A. (*Sir Gordon Fraser.*) I do not know.

13835. *Q.* If it was a fact then that there is no country that has developed industrially without having started protection.

A. (*Sir Gordon Fraser.*) I would not accept that as a fact.

13836. *Q.* Will you please tell me why it is not a fact?

A. (*Sir Gordon Fraser.*) I say I would not accept it as a fact, because I am not well enough up in the subject to know one way or the other.

13837. *Q.* But if I told you that it was a fact, what would be your conclusion on that assumption?

A. (*Sir Gordon Fraser.*) I should say that my experience going back 30 years is the opposite.

13838. *Q.* You admit that India has not developed industrially in proportion to her needs or her importance or her population?

A. (*Sir Gordon Fraser.*) I say that the progress in India for the last 10 years has been quick.

13839. *Q.* Is it commensurate with the population or the dimensions of India?

A. (*Sir Gordon Fraser.*) It is commensurate with the conservatism of the agricultural population and the

difficulty of turning the population from one thing to another. It takes a great deal to work up an industry.

13840. *Q.* Do you find that there is much change in the relative position of its export and import trade under which it exports very large quantities of raw material and imports manufactured goods? Has that position been in any way affected looking to India's population and dimensions?

A. (*Sir Gordon Fraser.*) I think the country is growing industrially.

13841. *Q.* Have you taken into consideration when you point out the industrial development that has taken place during recent years, the substantial protection that India received through the war?

A. Of course that was some help.

13842. *Q.* I only want to know whether your basis of free-trade policy is more sentimental than practical?

A. (*Sir Gordon Fraser.*) As a matter of principle we would have universal free trade, but it is not practicable.

Witness No. 94.

Messrs. PARRY & Company, Madras.

Written statement, dated the 21st December 1921.

13843. *Q.* 43. Manufacturers of Sugar and Spirit.

13844. *Q.* 44. Yes. There are certain tracts of land in India and Burma which are suitable for the satisfactory growth of cane but which are practically undeveloped at present for want of organisation and capital enterprise. (*Vide* Report of the Indian Sugar Committee, page 238, 239, 246.)

There is also a large agricultural population whose energies could be more economically utilised by efficient organisation both as regards the cultivation of cane and the manufacture of sugar. There is also a great natural advantage in local production.

13845. *Q.* 45. Yes. Any Industry that tends towards the development of a country's natural resources and self-support must contribute towards the national security of that country. The industry is of substantial importance to the economic prosperity of the country, if properly developed.

13846. *Q.* 46. It may be said that the organisation and equipment of the Industry in India is in its infancy as compared with the big sugar producing countries of the world.

13847. *Q.* 47. Practically entirely on the Indian market.

13848. *Q.* 48. Chiefly Java and Mauritius. German dumping was experienced before the Brussels Convention stopped it.

13849. *Q.* 49. The system enjoyed by manufacturers in Java enabling them to secure land on lease without difficulty and on moderate terms of rental is a distinct advantage but one which shows a diminishing tendency and which it is probable may be discounted in the future.

The lands worked by the Java planters have been brought to a high state of fertility after many years of scientific cultivation.

13850. *Q.* 50. Certainly. It is probable that the increased cost of production in Java amounts to at least 50 per cent. of the pre-war figure and we may therefore assume that the future minimum landed price of White Sugar will be approximately Rs. 65 per candy of 500 lbs.

Instead of an *ad valorem* duty of 15 per cent. we would recommend a fixed Tariff duty per cwt. equivalent to Rs. 15 per candy of 500 lbs. thus bringing the price landed in India to Rs. 80 per candy.

13851. *Q.* 51. There is every reason to think so.

The Industry with steady Fiscal support extending over a number of years should eventually cease to require the aid of protection.

13852. *Q.* 52. No.

13853. *Q.* 53. Probably not.

13854. *Q.* 56. The Sugar Industry in India received a considerable stimulus on account of the increased Tariffs and high prices of sugar but full advantage of this could not be taken owing to the difficulty in obtaining new machinery and at reasonable prices. Companies registered at Home lost any benefits that might have been accrued by the high prices, owing to the operation of the British Excess Profits Tax. The fear that Tariff advantages might not be maintained acted also as a brake on efforts at extension and reconstruction.

13855. *Q.* 58. To a very slight extent.

13856. *Q.* 59. No.

13857. *Q.* 60. We are only in favour of protection for an Industry in its infancy and then only provided the development has reasonable prospects of ultimate success in open competition.

Our general views regarding the remainder of the Commission's questionnaire are embodied in the replies submitted by the Madras Chamber of Commerce.

Mr. WOOD of Messrs. PARRY and Company, Madras.

Oral evidence, dated Madras, the 31st January 1922.

13858. *President.*—*Q.* Mr. Wood, you represent Messrs. Parry and Company?

A. Yes.

13859. *Q.* You are interested in the manufacture of sugar and spirits?

A. Amongst other things, yes.

13860. *Q.* From your answer to Question No. 49 I gather that you don't think that the advantage which Java enjoys will be of a permanent nature or that it will in any way interfere with your industry for any length of time?

A. I think that Java has now established the industry, that the grower of cane realises that it is a paying proposition and that it is no longer necessary to *induce* him to set aside any land for the planting of cane.

13861. *Q.* Then the supply of cane for the Java industry will continue to be as good as it is under present conditions?

A. That is the supposition.

13862. *Q.* You are recommending certain tariffs. But I would like to ask you whether the point which you indicate in your answer to Question No. 49 namely, that the lands worked by the Java planters have been brought to a high state of fertility after many years of scientific cultivation, would not be a better remedy than a very heavy import duty on sugar.

A. Yes.

13863. *Q.* Then what measures would you recommend for adoption?

A. I think the Sugar Commission has decided that in most parts of India it is impossible to do very much. The land is divided into such small holdings that it is quite impossible to do it. The holdings are in a great many instances simply sufficient to enable the ryot to grow his own crop, with probably a little surplus, and it is out of the question to insist upon his growing one particular crop. So it is not possible in practice to bring about the Java conditions in most parts of India.

13864. *Q.* But if it was possible, that would be a better remedy?

A. I should prefer that to a tariff of course,

13865. *Q.* In answer to Question No. 50 you say, "Instead of an *ad valorem* duty of 15 per cent. we would recommend a fixed tariff duty per cwt. equivalent to Rs. 15 per candy of 500 lbs. thus bringing the price landed in India to Rs. 80 per candy." Will you please explain a little more fully what you mean by this.

A. At present the duty is based upon a value which is arrived at by the Customs people on working out the average price of sugar during, say, the previous 3 or 6 months with the result that in the 7th month it is suddenly altered from the original valuation. This upsets the market very much. There is no certainty as to the duty which is going to be levied and this produces rather speculative conditions.

13866. *Q.* How much does the present 15 per cent. duty work out to per candy at present prices?

A. Taking a candy at Rs. 100 it would be Rs. 15 a candy.

13867. *Q.* Then you are advocating the same rate of duty as at present?

A. Yes. It is about the same at the moment.

13868. *Q.* If your suggestion is accepted the percentage duty would vary according to the fluctuations in price?

A. Yes, the percentage would vary.

13869. *Q.* You would charge a specific duty rather than an *ad valorem* duty or tariff valuation.

A. Yes.

13870. *Sir Montagu Webb.*—*Q.* I notice that in two places, in your answer to Question No. 46 and Question No. 60, you say that you are in favour of protection of industries in their infancy. Would you regard the sugar industry as an infant industry?

A. It is an old industry, but it was killed by the German dumping. I think between 1902 and 1905 countervailing duties were established to counteract the dumping from the Continent. Gradually it is reviving now. In that way it is an infant industry. The growers of cane and the manufacturers of sugar have had a very bad time in the past, and simply on account of the unfair dumping the industry was dying out. It is in its second infancy now.

13871. *Q.* With reference to your reply to Question No. 50 what is the percentage of duty that you would recommend? The tariff valuation is considerably higher than the price of sugar, so that the 15 per cent. at present is considerably higher than 15 per cent. really.

A. That is so, but I think that 6 months ago the arrangement produced a duty considerably less than 15 per cent. of the value of the sugar.

13872. *Q.* What will your recommendation work out to in percentage? You recommend Rs. 15 per candy of 500 lbs. I am not quite familiar with your candies.

A. It will work out to about 23½ per cent. in normal times.

13873. *Q.* Do you feel that this Commission would be justified in recommending a 23½ per cent. import duty thereby raising the price of sugar to all consumers by that amount in order to get the Indian industry going especially having regard to the first part of your answer to Question No. 50?

A. It depends entirely on whether the representatives of India consider that the sugar industry is one which should be properly established in India. If they consider that it is necessary to grow sugar in India.....

13874. *Q.* There is no doubt about India "growing" sugar but the question is the refining of it. I take it that India will continue to be one of the largest sugar growers in the world.

A. I don't agree there. I think that unless sugar is refined the industry of growing it will fade away. This would only be on a par with the importation of such articles as soap. In the old days—I am talking about 10 or 15 years ago—soap was imported in enormous quantities in the form of bars. The users of soap gradually came to prefer the more refined article, I mean the toilet soap, the cake soap, etc., and the importation of bar soap although cheaper has fallen off. It will be exactly the same with sugar. As soon as the taste for refined sugar becomes more spread as it is becoming every day, there will be the likelihood of the production of raw sugar having to fade away. I don't think that there will be so much demand for raw sugar as for refined sugar. In that way the industry of growing sugar will get a bad set-back.

13875. *Q.* Am I right in thinking that the Sugar Committee made recommendations other than tariff protection for the development of the sugar industry? They thought that the tariff was not the best way of meeting the situation but that there were radical problems to be tackled, agricultural problems more particularly.

A. If such can be carried out, I think that way is probably preferable to a tariff. If adequate protection can be given to the industry in some other way it is probably as good as the tariff, if not better.

13876. *Q.* If improvement in the growth of sugar and of sugar production can be engineered, it would be better than producing the result by way of an import tariff. That is your view.

A. Yes.

13877. *Mr. Coyajee.*—*Q.* The difficulties in the way of the sugar industry are partly due to the land system, partly to agriculture and partly to the system of manufacture?

A. Yes.

13878. *Q.* If protection is to be given to the industry in order to be successful, it should be a very substantial protection, I take it?

A. Yes.

13879. *Q.* You say in your answer to Question No. 50 that the cost of growing Java sugar has risen by about 50 per cent. and that you require a duty of about 23½ per cent., thus raising the price to the consumer by over 70 per cent. The main thing is that you don't rely on the tariff valuation system which has given you virtually 30 per cent., but you want 23½ per cent. protective duty.

A. That protection, as I explained just now, of 15 per cent. on a falling market means 30 per cent. and on a rising market the other way about.

13880. *Q.* Then you want a definite sum.

A. Yes.

13881. *Q.* Even with you idea of Rs. 15 per candy when the price of sugar rises, as regards the cost of growing sugar there will be fluctuation.

A. But then there is only one figure which is not constant. When there is a variable duty and variable price, there are two figures which are not constant and which make the trade much more complicated.

13882. *Q.* You want something constant.

A. As much stability as possible.

13883. *Q.* Did you rather overstate the case—this is an historic point—when you said in your answer to Sir Montagu Webb that the German dumping killed the Indian industry? Don't you think that it is rather due to the competition of Java?

A. No.

13884. *Q.* What did you mean when you said that the German dumping killed the Indian sugar industry? Was it an up-to-date factory industry at the time when German competition began?

A. I think that several factories went into liquidation at that time.

13885. *Q.* Were they all well equipped?

A. Yes.

13886. *Q.* Do you think that the manufacturers of refined sugar were then as large as they are now?

A. Relatively I think the consumption of refined sugar has increased enormously.

13887. *Q.* The proportion of Indian production to consumption was about the same as it is now.

A. Yes.

13888. *Mr. Seshagiri Ayyar.*—*Q.* In one of your answers to a question this morning you said that improved efficiency in the cultivation of sugar would to a certain extent benefit the sugar industry. Do I understand you to say that the industry could stand competition without the aid of an import duty?

A. Not at first.

13889. *Q.* Although you may endeavour scientifically to improve cultivation you would still require a considerable degree of protection.

A. There must be at first I think some assistance.

13890. *Q.* I remember last year there was a heavier duty. Did that help you?

A. We were able to give the ryots a considerably higher price for the sugar.

13891. *Q.* So the cultivator and the producer were both benefited by the duty.

A. Yes. I think that most of it went to the cultivator. We pay one-third of the prevailing price of sugar for the raw article.

13892. *Q.* You think that however much you might attempt to improve the cultivation, you would still require protection by means of an import duty.

A. I think so.

13893. *Q.* It has been suggested before this Commission that India is not able to produce as good a quality of sugar as can be got elsewhere, that is to say, there is not enough sweetness in the Indian sugar. Is that your experience?

A. I don't think we have said that.

13894. *Q.* I want to know whether that is your experience.

A. I don't think so.

13895. *Q.* You think that India can produce as good sugar as you can get from elsewhere.

A. I certainly think so.

13896. *Q.* I believe that there is a growing national sentiment in favour of the home product, is it not so?

A. Yes.

13897. *Q.* Would the imposition of a protective duty give an impetus to the industry?

A. I don't think that it will be very rapid.

13898. *Q.* It would help the industry.

A. Yes.

13899. *Mr. Mant.*—*Q.* I understood you to say in answer to the President that the tariff valuation of sugar is fixed on the average of three or six months. Are you sure of that? I understood the Collector of Customs, Calcutta, to say that it was based on the average of three years and that this was an arrangement come to between the Government of India and traders.

A. It is altered every six months but I am not perfectly certain as to whether it is fixed on the average price of the previous six months or more.

13900. *Q.* As far as my recollection goes, that system was arranged in consultation with the trade and based on a three years average.

A. I am afraid I am not quite certain.

13901. *Q.* The Collector of Customs told us that the Director of Statistics compiled and published in the Gazette tables which enabled the trade to calculate what the duty would be.

13902. *President.*—Both these facts could be reconciled. What Mr. Wood says is that the duties are revised every six months. It may be so. Every six months the average of the previous three years from that date is taken so that every six months the duty is revised on the basis of the average of the three years preceding that date.

13903. *Mr. Mant.*—*Q.* The only point I want to bring out is that the trade is in a position to calculate the valuation beforehand. I gather that that has not been your experience.

A. No.

13904. *Q.* The Director of Statistics publishes a table in the Gazette, from which you can calculate the valuation.

A. I am afraid I do not know.

13905. *Q.* With regard to the specific duty which you recommend of Rs. 15 per candy, do not the qualities of imported sugar vary in value?

A. This duty is recommended on the white sugar.

13906. *Q.* Is that the best quality?

A. Yes.

13907. *Q.* You would also have a varying standard?

A. Yes.

13908. *Q.* How many grades would you have?

A. About 4 grades.

13909. *Q.* Four different rates of duty?

A. Yes.

13910. *Q.* What will be the lowest rate?

A. I have not worked it out. It would depend upon the analysis.

13911. *Q.* Can you tell me what effect a duty on the imported refined sugar would have on the prices of raw sugar or jaggery? Would it raise the price of jaggery?

A. Certainly it would.

13912. *Q.* I understand that the consumption of jaggery in this country is very much larger than the consumption of refined sugar.

A. Yes, it is so at present.

13913. *Q.* Your putting a protective duty on refined sugar would really tax a very large number of consumers of jaggery.

A. For the moment but unless that industry is protected, they will not be able to get jaggery. The jaggery industry with no protection is a dying industry. In times of very low prices of sugar, sugarcane is not grown and the palm trees are not tapped every season. It does not pay the grower.

13914. *Q.* There you are exaggerating. No cane is grown in India?

A. I don't say that. It depends entirely upon the amount of labour or the amount of surplus of labour for that sort of work, but the tendency is for production to fall off at once.

13915. *Q.* But the statistics do not point to the conclusion of a dying industry.

A. Did you refer to 1902 figures or somewhere about that time? It is our experience here—I cannot go further afield as I am afraid I have not got the knowledge to do so—but unless we can pay a certain price to the tapper of the palm tree he does not bother with it at all. There have been years when we have not been able to pay the price and the result is the trees are not tapped. In the same way when the price of sugar is low and we cannot afford to pay a high price for cane jaggery, next year the cane is not grown and some other crop is substituted. Paddy and cane are inter-changed in this part of the country.

13916. *Q.* Your point is that if protection is not granted to this industry, the jaggery will be supplanted by foreign grown refined sugar.

A. In time, yes. It won't be immediate.

13917. *Q.* It is a new view to us. Do you take sugar from jaggery or direct from cane.

A. Both. We have a cane season. In Southern India cane is crushable for about 2½ months. During that time we make sugar practically direct from the cane and any cane which is not within the reach of the refinery is made into jaggery and later made into sugar.

13918. *Q.* Do you use palm?

A. Also palm.

13919. *Q.* How do you use that?

A. It is mostly boiled into jaggery first.

13920. *Q.* And then refined in the mill?

A. Yes, because the trees are so widely planted, I mean the juice will not stand long transport, it ferments, so only the trees round the factory can be tapped and the juice made into sugar direct.

13921. *Q.* I understand it is rather a wasteful process to refine sugar from jaggery?

A. It is not the most economical. If you can refine direct, you eliminate one process.

13922. *Q.* You are driven to that process by the climatic conditions.

A. Yes.

13923. *Mr. Jamnadas Dwarkadas.*—*Q.* You say that you would rather have a specific duty of Rs. 15 per candy than an *ad valorem* duty of 15 per cent. and that is because there are constant fluctuations in the price of sugar.

A. The present system of charging duty is one of the causes of fluctuation.

13924. *Q.* What are the other causes?

A. Another cause is the original cost of imported sugar. The rise and fall in the price of imported sugar regulates the rise and fall in the price of Indian sugar.

13925. *Q.* Because of the constant fluctuations in price, you prefer a specific duty.

A. I think that it would help.

13926. *Q.* Do you think that there will always be fluctuations in the price of sugar to justify a change from an *ad valorem* to a specific duty.

A. I think that the specific duty is preferable, but in view of what Mr. Mant and other members of the commission said just now I am perfectly prepared to reconsider that point because if the duty at present arranged is based upon the prices of three years, if is not so varying as I imagined.

13927. *Q. Sir Maneckjee Dadabhoy.*—*Q.* In your opinion the sugar industry requires steady fiscal support extending over a number of years.

A. Yes.

13928. *Q.* You recommend a 15 per cent. quantitative duty instead of an *ad valorem* duty.

A. Yes.

13929. *Q.* Is this in your opinion all that is required for the protection of the industry?

A. Yes. I don't say that it is the best way of protecting it but it is one of the ways of protecting it and sufficiently.

13930. *Q.* You don't want any further protection.

A. I would like some assistance to be given to the industry in the way of nursing the ryot, teaching the ryot to grow the right kinds of cane.

13931. *Q.* Then as regards the quantitative duty, would it be preferable to an *ad valorem* duty in normal conditions when prices are steady?

A. I am not perfectly sure that it would. I would like to consider that question further.

13932. *Q.* You are aware that the cost of manufacturing sugar in India is greater than in any other country in the world. What recommendations would you make to this Commission to enable the Indian factory to hold its own against foreign competition.

A. I think that large areas of cultivation in one place are the only way of getting prices down.

13933. *Q.* Do you think that large blocks must be acquired?

A. Yes, by factories.

13934. *Q.* Government must help in acquiring large blocks.

A. It is not for me to say.

13935. *Q.* We would like to hear your opinion.

A. I don't think that it is possible to any large extent.

13936. *Q.* If your cost of production is greater than that of any other country in the world, how will this protection help you? I should like you to make this point clear. Why should this industry be supported?

A. Unless India can grow cane in large blocks I don't think that it can ever produce sugar cheaper than any other nation. It is already protected by freights which the other people have to pay.

13937. *Q.* To that extent it is protected?

A. Yes, and with its cheap labour, its cost of production in time should come very near the cost of production in other countries.

13938. *Q.* Is it not a fact that the ocean frieght is partly neutralised by the railway freights in India?

A. I don't think so.

13939. *Mr. Narottam Morarjee.*—*Q.* Do you not make sugar from palmyra trees?

A. Yes.

13940. *Q.* Is it not cheaper than what you could make from sugar cane?

A. No. It is more expensive.

13941. *Q.* Is the yield less?

A. It is very difficult to compare the two. In one case we are buying canes by tons and in the other we are hiring trees.

13942. *Q.* But you have not to look after the palmyra trees as you have to look after sugar cane fields? Have you tried to make sugar from palmyra trees?

A. We do a lot, but the trees are not ours. All I can say is that the jaggery which we buy and which is from the palmyra trees is more costly than the jaggery manufactured from our sugar cane. Moreover it is a very laborious process. Each tree has to be climbed to get the juice, the tapping has to be done every day for the juice and at the same time very small quantities are extracted.

13943. *Q.* Is the sugar better than cane sugar?

A. It is just as good as the cane sugar.

13944. *Mr. Coyajee.*—To what causes do you attribute the increased cost of production in Java?

A. The rise in world prices to a certain extent, the cost of fertilisers and food prices.

13945. *Q.* In the same period has the Indian cost of production gone up also?

A. Yes.

13946. *Q.* Is it to the same extent of 50 per cent. or more or less?

A. I do not know by how much, but it has certainly gone up considerably.

SUPPLEMENTARY STATEMENT.

13947. *Q.* With reference to my evidence this morning, I find that the basis for the import duty on sugar is *the average price of sugar during the previous 1 year* ending September.

I would like, therefore, to adhere to my advocacy of a fixed duty based on quantity.

The present system produces two variables, *i.e.*, the duty and the sugar cost and it is to the benefit of the Indian sugar producer to have stability, not constant price variations.

I forgot to mention that the sugar manufacturer has to indicate, nearly one year before he receives his material (cane), to the grower a *minimum* price which he will pay, and it is therefore very necessary for him to have as correct an idea as is possible at so distant a date of the price which will rule for Foreign sugar when he starts cane crushing.

The fixing of the duty at a definite sum of money will materially assist him in this respect.

In advocating Rs. 15 per candy of 500 lbs. as the duty for white sugar a figure is mentioned which is known from experience, to be sufficient to protect the industry from all but dumping.

An *ad valorem* percentage which would produce the same result *at present* is quite liable to be found unnecessarily high under conditions of short supply and consequent high prices.

Witness No. 95.

B. PAPAIYA CHETTY, Esq., 63, Godown Street, Madras.

Written statement dated the 5th January 1922.

13948. *Q.* 1. I favour a policy of protection as long as India remains an importer of manufactured goods. Retaliatory measures cannot be resorted to by other countries, as India chiefly exports only raw materials. It cannot be to their advantage to tax our raw materials, as they require them very badly. Even supposing they choose to tax, the export trade of India will be discouraged and that may be an additional stimulus to our industries.

13949. *Q.* 2. I consider that tariff provides a more suitable form of taxation for India, than direct taxation. If fresh taxation were necessary, I would prefer an increase in customs to an increase in the direct taxes. Direct taxes have reached the maximum and they can no more be increased without causing deep discontent. For example the income tax has been raised to a level which is too high for Indian conditions.

13950. *Q.* 3. Indian merchants are generally poor. They do business with small capitals and depend upon it for their all. 6 or 7 per cent. dividends cannot keep them up because such dividends upon small capitals come practically to nothing. The Indian merchants have therefore to depend for their existence on profits more than on mere interest. Besides the Indian joint family system has produced few earners, and many dependents. Large families consisting even of grown up male members either wholly depend upon one businessman, or the members thereof work in the same firm as mere assistants to the principal. Among people that possess a social status, this difficulty is more keenly felt.

13951. *Q.* 4. Again it is only after decades of faithful service, that one can get any share in the profits of private Indian firm ;—even a sixteenth share. Therefore, when a merchant is obliged to pay to the Government more than even such a share as this, the merchant naturally feels it as a great hardship imposed upon him. The Government necessarily looks very exacting and hard in the levy of the tax. If the same person pays it in the form of a slightly increased price upon the articles of consumption, he does not see the interference of the Government with his income. He pays it quite in an unconscious manner.

13952. *Q.* 5. But it may be argued that an indirect tax affects equally both the rich and the poor. If the articles

of taxation are properly chosen, it does not do so. Some articles are consumed both by the rich and the poor and some by the rich alone. If it is thought that the poor are already paying too much, articles of luxury may be taxed and *vice versâ* if that holds good.

13953. *Q.* 6. If a duty is imposed on an article imported from abroad and if it is done so for the purpose of protecting the industry, the levy of an excise duty upon its Indian manufacture will defeat the very object of the import duty. If the industry in India is in a flourishing condition fearless of foreign competition, if there is sufficient competition in the country to make the manufacturer sell the articles cheaply with a small margin of profits, and if its foreign import has fallen so low as to make the customs revenue exceedingly small, then, excise duty can be resorted to as a measure of necessity for revenue purposes. Otherwise the imposition of an excise duty will either enhance the prices that are already high, or lower the profits of the manufacturer, injuring the consumer in one case and the enterpreneur in the other.

13954. *Q.* 7. I am, therefore, of opinion, that excise duties should only be levied only when an industry is well developed and well established in the country.

13955. *Q.* 8. The imposition of excise duties purely as revenue measures, or as free trade measures, is sure to tell upon the prices of the articles concerned except in cases where the protection allows the Indian manufacturer to make very large profits that can divert the incidence of the taxation from upon the consumer to the producer. This contingency is not likely to arise in India for some time to come even if protection be forthwith adopted.

13956. *Q* 9. There are several advantages to the country from a protective tariff. The industrial development of India is so backward that no progress can be attained without a stimulus. If Indian industrial progress is compared with that of the other countries, India has not been able to achieve in 15 years what Japan did in 5 years. Various causes have contributed to this state of affairs.

Indian labour is not well trained. Experts are not found in India for any industry. If one wants to start a factory, one has to first import an expert from abroad even before the estimates are prepared. With regard to capital, Indian capital is not mobile, for the obvious reason that there is not much of it. There does not exist in the people, sufficient enterprising spirit to subscribe for a concern at a mere call. People think more of the risks than of the benefits of investment in industrial concerns. They are reluctant to experiment with the little they possess by investing upon concerns, whose merit has not been proved, and whose expected dividends are not very attractive.

Therefore, the only way of attracting capital and creating enterprise in the people is to create a prospect of fairly large dividends. This can be achieved only if the imported article is made to sell at a higher price than the indigenous one. It may apparently mean a rise in prices but in fact the indigenous article does not rise in price. Even if it rises, it will be a temporary phase, because when the industry proves a success, more factories will come into the field and competition will check the rise n prices. All this can be achieved only if the industry is protected by a tariff.

In the infant stage of an industry, the price of the manufactured article will not only be slightly higher than that of the imported one, but also the quality slightly lower. Unless there is a difference in the selling price of the two, the indigenous cannot be marketted. If the import of the article is subjected to a protective tariff, the necessary margin of difference is attained and the indigenous article will be in demand. It does not follow that the indigenous articles will rise in price but all that it gains is an easy sale owing to its comparative cheapness. So for the consumer there is not so much of sacrifice of money as of quality in the purchase of the indigenous article. Even this is temporary, until the industry becomes more efficient and more developed.

Many other advantages follow a protective tariff. As the raw produce of the country will be manufactured in the country itself, there is an enormous saving in the shipping charges now paid to foreign shippers, for the export transit of the raw material and the import transit of the manufactured goods. Indian labour will find better employment and the labouring classes will have no necessity to emigrate. The money that now reaches the foreign labourer will find its place into the pocket of the Indian labourer himself. Better demand for labour will cause better wages and as a result of this better living for the poorer classes and other resultant benefits will follow. Instead of a buying country of manufactured goods, India in course of time can become by a protective policy of tariff a selling country of manufactured goods. As a producer of enormous quantities of raw material India can reach this position if only its industries are given a stimulus by tariff legislation.

13957. *Q.* 10. I look forward to India becoming in time independent of other countries in regard to almost all her requirements of manufactured goods. I use the word "almost" because, there may be certain articles which cannot be manufactured in India, but even such can be replaced by good substitutes of Indian-make. If there are things which cannot be substituted by indigenous articles I think that they would be so negligibly small in number and unimportant in character that they need not be taken into consideration in the adoption of a fiscal policy.

13958. *Q.* 11. When a policy of protection is adopted for India and when India is considered to become in time independent of other countries, for almost all her requirements, I do not see the necessity of making any exceptions in the imposition of the protective duties upon imported manufactures excepting machinery and such other articles essential for construction of factories.

13959. *Q.* 14. How is to be found whether an industry is likely after a period to be able to face foreign competition without assistance or not? Mere estimates cannot be relied upon. None can foretell the success or failure of an industry before a factory is seen in working order and before examining the quality, price, marketability of the produced article, the demand for it and other advantages or disadvantages that the industry might be found to possess after it has been started. There are few Indian experts that can correctly estimate the results of an industry even before it is established. Foreign experts cannot be much relied upon as the natural and the climatic conditions of this country may not be in many respects similar to their own. So the likelihood of success or failure of an industry cannot be known before the establishment of the industry. Failure or success can be known only after working it a number of years under sufficient protection.

13960. *Q.* 15. I would not mind. I should like to protect India against the imported articles at their lowest prices. To that extent protective tariffs must provide.

13961. *Q.* 16. The hand industries of India must be maintained. The cotton handloom industry has proved the necessity of its existence by exporting its handkerchiefs even to the best weaving centre of the world, Manchester.

The Indian poor are not yet fully accustomed to factory life. The majority of the villagers have a sentimental disinclination to leave their "happy homes," for enlisting in factorial service. The Indian labourer is quite contented with the simple food he gets from his little earnings which he can make at home. He does not care for higher wages accompanied by higher expenditure. He chooses to remain his own master. He prefers his little cottage in the village to a house in the city. This disinclination is more among women folk. The hand industries furnish all such people with a living. The handloom with the introduction of the fly shuttle has become a very rapid and an efficient machine of production. Weavers who could not weave a yard of cloth before the introduction of the fly shuttle are now able to weave even 6 or 7 yards per day with the present improvements.

The hand industry needs no specialisation of labour. It gives the workman the satisfaction of producing a whole thing by himself instead of a part as in a factory. Developed as an art, handicraft improves the ingenuity of the workman. In this connection, I should like to propose the establishment of 'a linked system' which is adopted for the handloom industry in Switzerland. There, a number of handlooms are linked to a factory which does all preliminary work of spinning, warping and beaming and the weaver begins his work direct with weaving. By this system the weaver saves a lot of time which he used to spend upon the processes uneconomically and is thus able to produce more cloth than before. It will of course take a long time to make the weaver suit himself to these modern methods, but yet a beginning in this direction should be made to facilitate the work of the weaver and thus make his production more rapid and more perfect. Demonstrations should be made to the village weavers showing them the advantages of the improved looms and the improved shuttle changing devices of the modern handloom. The Government of Madras has been able to do a good deal in the improvement of the handloom and has also made a beginning in the matter of demonstrating its improvements. A further effort is necessary in the line of factorial assistance to the industry to make the handloom a more perfect machine of production.

13962. *Q.* 17. India is a country extending over an area of millions of square miles, with its mercantile population consisting of people of different sects and languages distributed throughout the country. The capital cities of its provinces about which industrial centres would probably rise up, are thousands of miles apart from one another. The merchants of one province rarely meet those of another and thus the interchange of ideas between them is impossible. No combined action can be expected from industrialists whose chances to meet one another are extremely few. Union cannot exist among merchants at Cape Comorin and those at Himalayas.

Further if an industry becomes a profitable one, competition cannot but arise by the establishment of more factories. It may be here questioned why more cotton mills have not been established in sufficient numbers to divide the existing high scale of profits among them. Besides the difficulties of procuring machinery from abroad, normal conditions of trade are not believed to be yet prevailing in the markets. Everybody is afraid of to-morrow. No merchant relies upon the steadiness of the present Manchester market. Cotton prices are constantly changing. Several other causes contribute to this belief among merchants. Else a large number of cotton mills would have by this time been started, and competition completely established.

So there is no likelihood of protection leading to combination among the manufacturers to maintain a *quasi*-monopoly price.

13963. *Q.* 18. The possibility of foreign industrial firms endeavouring to establish themselves in India to get the benefit of the protective tariff, exists, only if sufficient number of factories are not forthcoming with indigenous capital. There is no reason to expect such state of affairs provided an industry has sufficient attractions and prospects.

If, owing to the large command of capital, better enterprising spirit, and satisfaction by even a comparatively lower rate of dividends, foreign industrialists are likely to establish industrial concerns in this country, the Government should by all means encourage the establishment of factories with Indian capital by granting large loans at low interest giving transport facilities and other kinds of assistance, even before the establishment of foreign industrial firms. By this means the Government can not only create a number of Indian factories but also remove the scope for foreign enterprises coming into India.

If even after the Government taking all the possible precautions, foreign industrial firms are established here, India will not lose so much as it would if it depends for its supplies upon foreign imports. The wages are paid to the Indian labourer and no shipping charges, are paid to foreign shippers. On the profits realised, taxes are collected by the Government of our own country.

13964. *Q.* 19. Under a general system of protection there can be no acute question of interests. If for instance both spinning and weaving industries are protected, the weaving industry can have no complaint against spinning inasmuch as protection is given to itself also on a reasonable scale. All that it can complain of is that spinning industry is more favoured by protection than weaving. If that is the complaint, the weaver has the remedy in his own hands. He can spin his own yarn. Generally this is done even under the existing circumstances. I therefore think that there is not much room for such disputes among industrialists and even if such disputes arise, there would not be much difficulty in adjusting them.

13965. *Q.* 20. As I have already stated, the sacrifice on the part of the consumer is not so much in money as in quality of the article. The indigenous article being generally lower in quality in the initial stages of an industry than the perfected foreign one, it only requires a margin of difference in price which is provided for by the protective duty. I do not say that there will be absolutely no rise in the price of indigenous article. In some cases a rise in price may take place under protection which may be equal to the whole or a part of the protection afforded. Any such rise is passed on to the consumer.

13966. *Q.* 21. The rise in prices caused by a protective tariff is in most cases temporary. The indigenous article which is lower in quality and higher in price before protection is given to it, takes some time to become perfect in manufacture. As the industry develops and more similar factories come to compete, the price goes down. So the rise is temporary.

13967. *Q.* 22. Yes. The consumer whom a rise in prices is likely to affect is ordinarily the wage earner. By an expansion of indigenous industries he profits materially and therefore a rise in prices is not necessarily a disadvantage even to the labourer.

13968. *Q.* 23. I am prepared to accept a rise in prices even in the case of a necessary. The rise in the price of the protected commodity within the protected area is more apparent than real because in proportion to the rise therein or very near to that proportion all other prices including the price of labour are bound to appreciate by better conditions induced by protection. To illustrate, the cloth manufacturer who makes better profit and the wage earner in that trade who earns increased wages do make a greater demand for other articles of consumption such as refined pottery, umbrellas, shoes, etc., and these in their turn would rise in value and thus there is a merry-go-round conserving the wealth of the land.

13969. *Q.* 24. The increase in the tariff rates would tend to increase the cost of living first to the middle and richer classes and then to the industrial wage earners and rarely to the agricultural wage earners.

(*a*) The industrial wage earner lives in towns and his requirements are somewhat different from those of the agricultural wage earner living in unsophisticated villages. He is sufficiently keen upon any increase in the cost of living and he never hesitates to demand increased wages equal to the increased cost of living. The industrialist has but to grant and the labourer gets it positively.

(*b*) The agricultural wage earner is rarely affected by a rise in prices, as he rarely consumes imported articles except some necessaries like cloth, etc. If a general rise in prices occurs and extends even to food-stuffs, the agricultural labourer is not even then affected because he gets his wages in kind but not in coin.

(*c*) The middle classes are most affected by increased cost of living. They demand increased wages and they are generally granted increments though not fully equal to the increase in the cost of living. By instalments, their salaries rise and they would slowly get the full required increment. This is what happened during the war.

13970. *Q.* 25. A policy of protection for India would for a long time to come not only decrease her foreign imports but also her exports. Sufficient demand will be created in the country for her raw material which is now being exported abroad. The total of her foreign trade will heavily fall until the industrial development reaches a point where she will begin to send out manufactured exports. The countries which now depend upon India for the supply of raw material will have finally to get from her a supply of manufactured goods. Her imports for long would be mainly machinery and tools.

As it is, India now pays foreign countries for labour, shipping, insurance and several other charges, all by her raw produce. Until a year ago she was having a large balance of trade in her favour which meant that she was paying her dues for her invisible imports with that favourable balance of trade. As industrial development of India progresses, her invisible imports will fall and thus she would save for herself the enormous amount of her raw material which she now exports to meet her dues for the invisible imports. Her commercial position would then become more sound and she would become a supplier of manufactured goods to a considerable portion of the world. She will turn out to be a creditor country instead of a debtor country as at present.

There may be a position taken up that the import trader may suffer materially. In reality, it is not so. Naturally he will take the indigenous goods as substitute and will equally trade in them.

13971. *Q.* 26. As far as I can think of, I do not believe there is any necessity for bargaining at all as no retaliation is possible for other countries. If ever she would require anything from them, it would mainly be machinery and tools which even if costly do not matter much. They are bought once for all and the replacement of parts may be easily arranged for even here. India may also depend upon other countries for some luxuries like motor-cars, etc., for a long time to come but if those countries protect their goods India may as well get on with a restricted quantity of them.

So there is no necessity for the existence of a tariff which could be used as an instrument for bargaining with other countries.

13972. *Q.* 29. I can see that there is a necessity for a permanent organisation for investigating the claims of various industries to protection from time to time. The only difficulty that stands in the way of a permanent organisation is this. The members thereof having to be of necessity industrialists themselves may develop vested interests and the very purpose for which the organisation is set up may be defeated. Therefore I would suggest that while th routine of collecting and keeping information up to dat may be left with the industries department, temporary com-

missions may be periodically constituted to settle the claims of the several industries and readjust tariff rates.

13973. *Q.* 30. I think that export duties should be imposed mainly for the purpose of raising revenue except under special circumstances. I do not advocate the levy of a heavy export duty, for the purpose of making the exportable articles cheap in the country. Such duties cause discontent among the agricultural classes who are not sufficiently educated to appreciate the real purpose of such an imposition.

The imposition of a protective duty upon imports react upon the exports. The discouragement of the import of manufactured goods will result in lessening the demand for our raw material in other countries and thus the raw material being less in demand will be sold cheap in the country.

13974. *Q.* 32. No.

13975. *Q.* 33. I should favour the imposition of an export duty on food-stuffs only in times of famine. But as export may even be prohibited in such cases, a general scheme of heavy export duties on food-stuffs need not be considered.

13976. *Q.* 34. This is a question that I consider does not arise at present except in the case of jute manufactures. We export no other manufactured article in large quantities. An export duty on raw jute is certainly welcome as a retaliatory measure because we practically possess a monopoly.

13977. *Q.* 35. According to the latest figures available, 66 per cent. of the total import trade of India is with the British Empire. 61 per cent. of India's imports are from the United Kingdom and 5 per cent. are from the other parts of the Empire. Even in the export trade, 43 per cent. of India's total exports are to countries within the British Empire. If the principle of imperial preference is adopted for India, taxing the imports from the United Kingdom and other parts of the Empire lightly and those of other countries heavily, it would mean nothing but allowing no protection to India's industries to the extent of 66 per cent. The following figures will speak for themselves.

Percentage share of the United Kingdom in the total quantity of goods imported into India.

Goods.	1913-14.	1919-20.	1920-21.
Piecegoods ...	97·1	90·3	85·6 (2 power standard).
Machinery ...	...	69·0	96·0
Hardware ...	57·0	47·0	58·0
Paper, etc. ...	56·2	57·4	42·8
Chemicals ...	74·7	75·8	75·6

In exports a similar state of things exists. In 1919-20 more than 50 per cent. of India's raw jute export trade is with the United Kingdom.

So if imperial preference is adopted for India it is sure to prove prejudicial to the fostering of Indian industries which require protection badly. It is true the United Kingdom allows some concessions in taxing the Indian goods but it is to her own interests as she requires our raw material to manufacture and sell back to India. Therefore by imperial preference England will be benefited at the expense of India. No sound fiscal policy should be on the lines prejudicial to the development of Indian industries.

So I am opposed to imperial preference on the ground that it is unsuited to the Indian conditions.

13978. *Q.* 43. I am interested in the pencil industry, as a partner in the Madras Pencil Factory.

13979. *Q.* 44. Yes. I consider that there are natural advantages for the industry in India. The most important raw materials that the industry requires are graphite, clay and wood. The first two are available in India to a large extent and there is practically no trouble about them. With regard to wood, there is at present some trouble. Wood has to be imported from South Africa and America and the sudden adverse turn of the rupee exchange has affected the rupee prices to a large extent. We were able to manufacture pencils at a much cheaper rate during the war than now owing to the exchange conditions. We have tried several country woods and the Government of Madras has rendered considerable assistance to us in this direction. I cannot say that our attempts have proved completely useless as we have every hope that country wood which will suit our purpose can be found out. A certain amount of progress has been attained and before long we may be able to dispense with foreign wood to a very large extent. Had it not been for the depreciation of the rupee, we could have made progress even with the foreign wood. But the sudden fall in the value of the rupee has forced us to investigate into the possibility of replacing the foreign wood as a result of which a better prospect for the industry is in sight.

Besides, there is a vast market for pencils in India, the quantities required by the Government alone being enormously large.

13980. *Q.* 45. Yes. The industry is of substantial importance to India. At present more than 90 per cent. of the pencils consumed by India are imported from Japan, Austria, Germany, America and England. I have not been able to get the exact figures of India's imports in pencils, but I am sure India is not manufacturing even $\frac{1}{10}$th of the quantity consumed by her. When compared to the cotton mill industry, the pencil industry requires only small capital which I think is not difficult to raise, if the industry proves a profitable one.

13981. *Q.* 46. I cannot say.

13982. *Q.* 47. For the sale of its output the industry depends at present only upon the local markets. It has a great scope to find its way into other countries also.

13983. *Q.* 48. Japan is the principal competitor and Germany, Austria, America and the United Kingdom come next. We have to sell our black lead pencils for instance at Rs. 5 a gross while American, Austrian and German pencils of the same quality are selling at Rs. 4-8 and Japan even less than Rs. 4. Though the quality of our pencils is superior to that of foreign ones and our prices sometimes equal, the public hasitate to buy our goods on account of the long standing name that foreign ones enjoy. It will take some time to remove this prejudice from the consuming public.

This competition is felt in regard to all kinds of goods.

13984. *Q.* 49. Japan has special advantages with regard to wood. On account of Japan's general policy of subsidising its industries and helping in several other ways, the industry received a great impetus in the beginning and hence is now in a position to compete with not only India in the Indian markets but also with every other country. Thirty years ago, Japan suffered for want of wood to make her pencils but she having brought seeds and grafts from South Africa has been able since then to gradually develop the growth of the suitable wood for the purpose of her pencil industry.

If proper wood is not found in this country I think the Government should undertake to take similar measures here also.

13985. *Q.* 50. Yes. Especially against Japanese, Austrian, German and American goods for the present. The figures of prices that I have given in my answer to Question No. 48 may be taken as the basis, as the same proportion extends to almost all qualities of pencils that we make.

Our price with the lowest minimum of profits is Rs. 5 per gross wholesale. American, Austrian and German prices including a duty of 11 per cent. are Rs. 4-8 per gross. So their prices without duty are about Rs. 4 while Japan can sell between Rs. 3 and Rs. 3-8 if no import duty is charged. So the free of duty prices are as follows :—

Madras.	Other Countries.	Japan.
Rs.	Rs.	Rs. A.
5	4	3 4

If 25 per cent. *ad valorem* instead of 11 per cent. as at present upon the pencils of Austria, Germany and America, and 33⅓ per cent. *ad valorem* in the place of the present 11 per cent. upon the Japanese pencils, are levied, we can freely market our pencils at the existing prices against the competing ones. Though Japan's price will still be lower, I think, the suggested duty will improve the conditions much, as the Japanese pencils are not of good material and their leads are easily broken.

If this protection is given, our pencils will capture the markets in a short time and they can make an independent stand in a few years after which assistance can be withdrawn.

13986. *Q.* 51. Protection is necessary only until the industry evolves out of its infant stage and until some raw materials are found available in the country. The pencil industry is not so hopeless as to require continuous protection for ever.

13987. *Q.* 53. I don't think that the industry is suffering from dumping.

13988. *Q.* 56. The industry has been started and has been in active work in Madras only for the last two years and a half; so I cannot say the effect of the recent tariff changes upon the industry.

13989. *Q.* 57. The industry has practically nothing to do with export duties.

13990. *Q.* 58. No finished product of the industry is used as the raw material for other industries.

13991. *Q.* 59. The industry does not use as its raw material the finished product of any other industry.

13992. *Q.* 60. I would prefer a system under which industries receive varying amounts of protection in accordance with their needs. I am of opinion that a uniform protection for all industries may produce undesirable results as under such a system some industries may receive so much protection that the prices of the articles abnormally rise while others may not derive sufficient benefit to make a progress. Each industry must be judged on its own merits and drawbacks, and must be protected to the extent it deserves.

13993. *Q.* 70. We import cotton piecegoods from England.

13994. *Q.* 71. I do not think that the tariff changes on piecegoods could have any appreciable effect upon the quantity of their import since 1916. Owing to the war the prices have so abnormally risen that any change in duties was negligible. A piece of 20 yards which before 1916 was selling for Rs. 6 rose to Rs. 24 in the latter years of the war. This is an increase of 300 per cent. upon the original price. The quantity of piecegoods imported since 1917-18 has heavily fallen though its value has not. I give below the figures of the piecegoods import both for quantity and value

Year.	Quantity in yards.	Value in thousands of rupees.
1913-14	3,159,301	57,59,61
1917-18	1,523,422	48,78,29
1918-19	1,097,375	48,54,41
1919-20	1,063,684	51,23,12
1920-21	1,491,248	82,91,51

From this it can be seen that the quantities imported in the years 1913-14 and 1920-21 are in the ratio of 2 : 1 while the values are in the ratio of 2 : 3. So the reason for the decrease in the quantity of imports into India is not the increase in duties but it is the increase in prices that caused the heavy fall.

13995. *Q.* 72. An appreciable increase in the present tariff rates would diminish the piecegoods imports from Japan but not those from England. The Japanese import of piecegoods has remarkably risen during the last 7 years. In 1913-14 only 3 per cent. of our total piecegoods import was from Japan while in 1920-21 it rose to 11·3 per cent. I think the mill industry of India has a serious menace in Japanese competition. Both the Indian and Japanese mills produce cloth and yarn of lower counts. There is practically no competition in this trade between India and England. So any increase in the present tariff rates will not so much affect the import of English goods as it would the Japanese.

13996. *Q.* 73. (*a*) If preference were given to British goods by maintaining the existing rates for foreign piece-goods and reducing it for British goods, the import trade will not be altered. The Japanese competition will remain as it is. British goods cannot be expected to be imported on a larger scale than at present by any such preference. I cannot say if it would give room for British imports in lower counts which may form competition to the Indian mills. In the higher counts which form the bulk of the present trade with England the prices are still 200 per cent. higher than the pre-war prices and any remission of 3 or 4 per cent. in the way of preference is not likely to produce an appreciable effect on their import. While nothing good in this way can result for either country, the hopes of the Indian mill industry extending to finer counts will be hampered. Besides, this, there would be a fall in the customs revenue.

(*b*) If the preference were given by maintaining the existing rate for British goods and enhancing it for foreign goods, the import of British goods will stand as it is while that of foreign goods will fall, they being replaced by Indian mill production.

(*c*) If the preference were given by raising the rate for foreign goods and reducing it for British goods, the import of foreign goods will fall as I have stated in my answer to sub-question (*b*) and the import of British goods will continue as it is, probably affecting the Indian mill trade if the import of British goods extends to lower counts.

13997. *Q.* 75. What effects imperial preference may have upon the import trade of piecegoods, I have said in my answers to Question No. 73. It may not have the same effect upon the import of the other commodities. In the case of several commodities other than piecegoods, I think it may merely tend to alter the proportion in which the imports are made from foreign and British countries.

13998. *Q.* 76. I do not think that any undesirable results will follow from diverting the source of Indian imports from foreign to British countries. But at the same time it does not better the present industrial position of India.

13999. *Q.* 78. In the case of piecegoods, there is no other system that can work better than one of *ad valorem* duties. If duties are levied per lb. or per yard of cloth, they will fall very unequally upon the different stuffs least affecting the costlier cloths and most affecting the cheaper ones. As piece-goods is an article that is of necessary use for every class of people the unequal effect of duties per unit weight or per unit length cannot be neglected.

During the war the *ad valorem* system has caused trouble to such of the importers as used to sell on forward contracts. In the case of such an importer both his buying and selling prices are fixed long before the goods arrived, and expects a certain amount of profit of, say Rs. 500 on a consignment then worth Rs. 10,000. By the time the goods arrived, the market rose so abnormally high that the arrived goods sold for Rs. 17,000 or 18,000. The importer according to the *ad valorem* system had to pay an additional duty of about Rs. 800 more than he calculated thus losing not only his estimated profits but also more. This trouble arose because the market was very unsteady and *ad valorem* was collected upon the market prices. But there is no other better go in the matter of prices to be chosen, as the adoption of cost prices as basis, would tend to give scope for fraud in the invoices.

But the remedy for this trouble is more in the importer than in the legislator. The importer, when he sells his goods on a forward contract, sells them for a price which includes duty. If instead of this he fixes his selling price without including the duty leaving the duty to be paid by his buyer the whole difficulty is solved.

Various systems of assessments are proposed to replace the *ad valorem* system in piecegoods. I have pointed above that duties upon unit weight or unit measure work very unequally upon different kinds of cloth. The best alternative for *ad valorem* on cloth is a fixed duty upon each square yard of cloth which should be levied in direct proportion to the number of square yards that the cloth would weigh for each lb. As the value of the cloth is more or less proportionate to the number of the counts of its yarn, and as the number of the counts is proportionate to the number of the square yards that the cloth would weigh for a lb. this system would be the best alternative for *ad valorem*.

But yet, I would prefer the *ad valorem* system as the best to any other, as the trouble that I mentioned above do never occur except under exceptional market conditions such as those during the war.

14000. *Q.* 79. I deal in piecegoods.

14001. *Q.* 80. I do not think that the changes in the retail prices of piecegoods can be attributed to the increases in the import duties since 1916, as the variation in prices was constant and the exchange value of the rupee was ever changing.

14002. *Q.* 81. I think the demand diminishes in direct proportion to the increase in price and I conclude this from the figures given in my answers to Questions Nos. 71 and 72.

14003. *Q.* 82. No.

Oral evidence, dated the 31st January 1922.

14004. *President.* *Q.* You are interested in the pencil industry as a partner in the Madras Pencil Factory ?

A. Yes.

14005. *Q.* You are also an importer of cotton piecegoods from England ?

A. Yes.

14006. *Q.* You favour a policy of protection.

A. Yes.

14007. *Q.* Now, in answer to Question No. 6 you say "I am therefore of opinion that excise duty should only be levied when the industry is well developed and well established in the country." What do you mean by that ?

A. I think if heavy protection is adopted before an industry is well-established it may raise the prices to the consumer. But if there are many factories in the country there will be keen competition and that would lower prices and protection will not harm the people.

14008. *Q.* But you are talking of excise duties?

A. If there is not a sufficient number of factories in the country there will be no keen competition and the excise duty will be shifted on to the consumer.

14009. *Q.* Then, you approve in principle the levy of a countervailing excise duty.

A. I do not think excise duties are necessary unless they are for revenue purposes, especially when import duties have ceased to be remunerative.

14010. *Q.* That is to say, the industry is sufficiently developed to supply all the needs of the country. Then, for revenue purposes you would advocate an excise duty. You advocate an excise duty only for revenue purposes and not for countervailing against the import duties.

A. Yes.

14011. *Q.* And in answer to Question No. 9 you say: "It does not follow that indigenous articles will rise in price, but all that it gains is an easy sale owing to its comparative cheapness. So for the consumer there is not so much of sacrifice of money as of quality in the purchase of the indigenous article." Will you please explain that statement more fully?

A. The indigenous article is naturally deficient in quality in the initial stages of its manufacture and if protective duties are levied upon the imported article, the imported article will cost more, and there will be sufficient margin for the indigenous article to be freely marketed. Therefore the consumer loses more in quality than in money.

14012. *Q.* You say that the consumer will supply his requirements by spending the same amount of money, but will use an inferior quality?

A. Yes.

14013. *Q.* Then, speaking about the handloom industry you say: "In this connection, I should like to propose the establishment of 'a linked system' which is adopted for the handloom industry in Switzerland." You then describe what that system is. I should like to ask you whether that system is practicable under Indian conditions.

A. I had my own apprehensions in suggesting that system. It may not be practicable for some time to come, but if the weavers are educated by means of exhibitions and demonstrations, I think they will realise the advantages of that system and adopt it.

14014. *Q.* You think it is practicable?

A. If not at present, it will be practicable in course of time.

14015. *Q.* In answer to Question No 18 you say: "The Government should by all means encourage the establishment of factories with Indian capital by granting large loans at low interest, giving transport facilities and other kinds of assistance, even before the establishment of foreign industrial firms." Of course you mean that Government should give loans on adequate security?

A. Yes.

14016. *Q.* Will you please explain what you mean by the words "before the establishment of foreign industrial firms?"

A. If the Government were to give sufficient encouragement as I have said, there will be no scope for foreign firms to come and establish themselves here. If the demand of the country is adequately met by a large number of factories in the country itself the foreign firms will have less scope than at present.

14017. *Q.* Do you suggest that the loans and transport facilities should be given to Indian firms and not to foreign firms?

A. What I mean is that a sufficient number of Indian industrial firms should be established before foreign merchants come to settle here and establish their firms.

14018. *Q.* How would you suggest that that should be done?

A. For instance, the Government of Madras are making arrangements to give a loan of 25 lakhs for starting a cotton mill in Bezwada. That has encouraged a certain number of merchants to take up the business and they are organising a mill in Bezwada. In that way, if 12 cotton mills are established in Madras with such assistance there will be no scope for outside firms to come here and establish themselves.

14019. *Q.* But 25 lakhs for 12 mills means 3 crores. Where is the money to come from? How is the Government of Madras to get that money?

A. If the Government want to encourage the establishment of factories they must borrow if they have not got the money.

14020. *Q.* Do you think they can borrow at a reasonable rate of interest?

A. If the people are informed of the purpose for which the loan is required there will be sufficient response from the people.

14021. *Q.* In regard to your pencil industry, you at present depend for your wood upon South Africa and America?

A. Yes.

14022. *Q.* And you admit that the Government of Madras has rendered considerable assistance in the direction of finding suitable country woods?

A. Yes.

14023. *Q.* What has been the net result? Have you been successful in finding suitable wood for your industry?

A. We have got some varieties of wood now, but want more tender wood, and we are trying to get it.

14024. *Q.* Have you not got it yet?

A. No.

14025. *Q.* You say: "We have to sell our black lead pencils for instance at Rs. 5 a gross, while American, Austrian and German pencils of the same quality are selling at Rs. 4-8 and Japan even less than Rs. 4." How is it possible for you to maintain your industry with 25 per cent. or 33⅓ per cent. protection instead of the present 11 per cent?

A. The Japanese pencils have not got a good name in the market. They easily break and we are therefore able to sell our goods in competition.

14026. *Q.* So, you get a better price because your quality is superior?

A. Yes.

14027. *Q.* Then why do you want protection?

A. The Japanese pencils are keenly competing with our pencils in the market, and we are meeting that competition with very great difficulty and heavy loss at present, and the demand for our pencils is not sufficient to make the industry self-supporting.

14028. *Q.* You say that the American and Austrian pencils are of the same quality, but that they are selling at Rs. 4-8.

A. Our pencils are purchased more by the Government than by the public.

14029. *Q.* So you get Government assistance in that way?

A. Yes; we get Government assistance.

14030. *Q.* And how long do you expect it would take before you can establish your industry and will be able to compete successfully with the imported goods.

A. If proper wood is found in India we will be able to compete with any foreign pencil traders in less than one year.

14031. *Q.* With reference to your answer to Question No. 49 I should like to know what is your authority for saying that the Japanese Government actually imported seeds and grafts of the right kind of wood from South Africa.

A. I have no authority, but our own expert who went to Japan and studied the question told me that this was the case.

14032. *Q.* And his report was that the Japanese Government in order to establish the pencil industry actually imported seeds and grafts of the right kind of wood and planted it in Japan 30 years ago and is able now to obtain wood from those developed trees and to manufacture pencils?

A. Yes.

14033. *Q.* And you put that forward as a type of assistance which the Japanese Government gave for the development of this industry?

A. Yes.

14034. *Q.* Do you think anything of that kind is possible in India?

A There is no very great difficulty in bringing seeds and grafts.

14035. *Q.* Do you think an effort should be made to repeat that process here in India for the purpose of establishing a pencil industry?

A. Yes.

14036. *Q.* On what basis do you suggest a 25 per cent. *ad valorem* duty instead of the present 11 per cent. against Austria, Germany and America and 33⅓ per cent. against Japan?

A. I have explained that in my statement.

14037. *Q.* You do not take into consideration the difference in quality.

A. I am speaking there of pencils of the same quality.

14038. *Q.* You say that Japanese pencils are sold at Rs. 3-4.

A. I am putting Rs. 3-4 here because I have deducted the 11 per cent. duty from the actual price at which the pencils are sold.

14039. *Q.* The real market price is Rs. 3-4 *plus* the 11 per cent. duty?

A. Yes.

14040. *Q.* Do you think it is wise to have differential rates of duties for the same class of goods between different parts of the world?

A. I have just pointed out my own requirements.

14041. *Q.* Are you able to supply all India?

A. No.

14042. *Q.* Then the consumer will have to pay these 25 per cent. and 33⅓ per cent. duties.

A. Pencil manufacture is such an easy branch of industry that any number of factories can be established if there is sufficient protection.

14043. *Q.* Then you think that this 25 per cent. duty would be required only temporarily?

A. Yes.

14044. *Q.* You state that you have not yet been able to get suitable wood?

A. As it is we are importing wood from South Africa and America.

14045. *Q.* When you have to depend for your wood on America, how can you establish your industry successfully within a short time?

A. But I hope to get wood in India soon.

14046. *Q.* But till such time as you get a proper supply of wood in India, you expect the consumers to pay these 25 and 33⅓ per cent. duties on their pencils?

A. I agree that the consumer will be burdened in that way, but I think in a very short time we will get sufficient wood in this country.

14047. *Q.* Don't you think the better plan would be to try and work out an adequate supply of cheap wood before a tariff is considered?

A. We are trying to do it. If the result of our experiment is successful, you can reduce the duty again.

14048. *Q.* In answer to Question No. 71, you say: "I do not think that the tariff changes on piecegoods could have any appreciable effect upon the quantity of their import since 1916." Do you mean to state that the tariff would have no appreciable effect upon the quantity of piecegoods imported into India?

A. The variation in the tariff was very insignificant when compared to the variation in prices. The prices went up by 300 per cent., whereas the tariff did not go up event by 5 or 6 per cent.

14049. *Q.* That is your position. You do not think that the quantity of piecegoods imported would be affected by even a further increase in the import duties? In answer to Question No. 72, you say: "An appreciable increase in the present tariff rates would diminish the piecegoods imports from Japan but not those from England." Will you please explain that statement a little more fully? Supposing the Government of India imposed a duty of 25 per cent. on imported piecegoods do you think that the quantity imported from Lancashire would remain as it is at present and that imports from Japan alone would diminish?

A. If a 25 per cent. duty is imposed on all piecegoods, including Manchester piecegoods, there will be a decrease in the imports to the extent to which consumption decreases. But as the Indian mills cannot supply the finer counts manufactured by the Lancashire mills the protection can have no tangible effect on the import of Lancashire goods, which it would strongly affect the Japanese imports which may be easily replaced by the Indian mill produce.

14050. *Q.* Don't you think that the rise in price will result in a decrease of consumption?

A. The consumption will decrease in proportion to the rise in price.

14051. *Q.* The rise in price in consequence of the war has brought about a diminution of the consumption?

A. Yes.

14052. *Q.* So, in that way the quantity of piecegoods imported from England would also diminish if the price is raised by an import duty?

A. Imports from England would diminish, but not to the same extent as the imports from Japan.

14053. *Q.* Because you have got factories in India for manufacturing the lower counts which Japan exports?

A. Yes.

14054. *Q.* Do you advocate further protection to the cotton mill industry in India on this ground?

A. As Canada is levying a duty of 25 per cent. upon the imports of United States cotton manufactures, I do not see why India should not have a further increase in the duty.

14055. *Q.* What is your object in imposing a heavier duty? Is it your object to get more revenue or to make India self-contained in regard to cotton goods supply?

A. Both.

14056. *Q.* What is your main idea?

A. My main idea is to develop the Indian industry.

14057. *Q.* In order that she might supply her own needs?

A. Yes.

14058. *Q.* For that object you advocate a duty of 25 per cent.?

A. Yes.

14059. *Sir Maneckjee Dadabhoy* :—*Q.* You are generally in favour of customs duties?

A. Yes.

14060. *Q.* And you think that the maximum limit of direct taxation has already been reached in this country?

A. Yes.

14061. *Q.* You are also in favour of manufacturing the raw materials of the country for two reasons, firstly, because there would be enormous saving in the shipping charges now paid to foreign shippers and secondly, because Indian labour would be more profitably employed?

A. Yes.

14062. *Q.* Have you got any proposals to place before the Commission for rendering assistance to the handloom industry of Madras?

A. I have mentioned my proposals in my written statement.

14063. *Q.* You refer to the linked system?

A. Yes.

14064. *Q.* Have you got any other proposals?

A. No.

14065. *Q.* Do these handloom weavers in your province require pecuniary support?

A. I think they do to a certain extent.

14066. *Q.* Are your co-operative societies giving them the assistance?

A. Not so much as they require.

14067. *Q.* In answer to Question No. 17, you say, "it may be here questioned why more cotton mills have not been established in sufficient numbers to divide the existing high scale of profits among them. Besides the difficulties of procuring machinery from abroad, normal conditions of trade are not believed to be yet prevailing in the markets. Everybody is afraid of to-morrow. No merchant relies upon the steadiness of the present Manchester market." I understand from this that you infer that even present high profits would not tempt new mills to be constructed, because there is not much confidence in the fiscal policy of the Government.

A. Not in the fiscal policy of the Government, but in the market prices both here and in England. The markets are very fluctuating.

14068. *Q.* If those markets were brought up by a properly regulated fiscal policy, would it be of any help?

A. It is not only the fiscal policy, but there are so many other things to change the prices of the markets.

14069. *Q.* In answer to Question No. 18 you say "the Government should by all means encourage the establishment of factories with Indian capital by granting large loans at low interest giving transport facilities and other kinds of assistance, even before the establishment of foreign industrial firms." Would you not give assistance to deserving industries in India started by foreign firms when you thought those industries were necessary for the country?

A. I do not advocate any differential treatment in general.

14070. *Q.* In answer to Question No. 24 you say "the increase in the tariff rates would tend to increase the cost of living first to the middle and richer classes and then to the industrial wage earners and rarely to the agricultural wage earners." May I gather from that that in your opinion it would not affect the agriculturists as a body?

A. It is only very rarely that the agriculturist buys imported articles except cloth.

14071. *Q.* He would prefer Indian made cloth to foreign?

A. Yes.

14072. *Q.* And therefore tariff duties generally would not affect the agriculturists?

A. No.

14073. *Q.* The common idea that the agricultural industry would be affected by the import duties is an exploded doctrine?

A. Yes.

14074. *Q.* You have no real apprehension about the agricultural industry suffering by the present tariff policy of the Government, that is, by increased import duties?

A. No.

14075. *Q.* In answer to Question No. 30 in referring to export duties, you say 'I do not advocate the levy of a heavy export duty for the purpose of making the exportable articles cheap in the country. Such duties cause discontent among the agricultural classes who are not sufficiently educated to appreciate the real purpose of such an imposition.' I would like to know if there is an exportable surplus, you would allow it to go out of the country without an export duty?

A. If it is found that there is an exportable surplus, I think for the purpose of revenue we can levy an export duty.

14076. *Q.* Would you modify your statement to that extent?

A. Yes.

14077. *Q.* The free export of an article, say cotton, appreciates the value of that article in this country to the agriculturist, *i.e.*, he gets better prices for his commodity.

A. Yes.

14078. *Q.* If an export duty is levied upon raw materials, the cultivable area may be decreased. Is that your opinion?

A. Yes.

14079. *Q.* Why do you think that the cultivable area would be decreased?

A. If there is not a sufficient demand for the raw produce, that is, if the raw produce will not fetch the cultivator the money that it used to fetch, he will naturally produce some other crop.

14080. *Q.* That is instead of foodstuffs he will grow some other commercial crop?

A. Yes.

14081. *Q.* In answer to Question No. 34 you say that 'an export duty on raw jute is certainly welcome as a retaliatory measure because we practically possess a monopoly.' Why do you call it retaliatory? At present there is no retaliation.

A. Not at present. But if a retaliatory measure is necessary, I think an export duty on raw jute may be levied.

14082. *Q.* Why on jute alone? In that case any other commodity may come under the same category Do you mean that jute is the only commodity of which you have a monopoly?

A. Yes.

14083. *Q.* You say that more than 90 per cent. of the pencils are imported from foreign countries. India manufactures only 10 per cent. of her requirements.

A. I do not believe I have given actual figures. I think that India manufactures less than 10 per cent.

14084. *Q.* So, in the face of these figures, you would justify this increased duty of 25 per cent. and 33 per cent.

A. I have given the prices as Rs. 5, 4 and 3¼. So the duties are necessary.

14085. *Q.* I see your figures. If you have got the materials and if your industry is likely to be killed by outside competition, you can ask for this prohibitive duty. But you are not in a position to manufacture the whole of the Indian requirements. How can you justify this imposition?

A. I said just now in answer to the President that the pencil industry is so simple and so small that any number of factories can be established.

14086. *Q.* You find wood difficulties insuperable at present?

A. Wood may be got in the same way as we get now.

14087. *Q.* It may take years to grow wood?

A. We get it from abroad from the same exporters who send wood to Austria and Germany.

14088. *Q.* Are you now getting your wood from abroad?

A. Yes.

14089. *Q.* In answer to Question No. 50 you advocate differential treatment in the case of Austria, Germany, America and Japan. I would like to know if you can give an instance where such a differential treatment is given.

A. I do not suggest a differential treatment. I only state my requirements.

14090. *Q.* Can you support it by any precedent?

A. No. I have not looked for any.

14091. *Q.* You say that your industry can make an independent stand in a few years after which assistance can be withdrawn. How many years would it require to make your industry self-supporting?

A. A few months will be sufficient to make the industry stand on a good basis provided proper wood is found in India.

14092. *Q.* It will take years to grow wood.

A. We are investigating whether we can find some suitable wood in the country itself.

14093. *Q.* In answer to Question No. 71 you have stated that "a piece of cloth of 20 yards which before 1916 was selling for Rs. 6 rose to Rs. 24 in the latter years of the war. This is an increase of 300 per cent. upon the original price." I gather that in your opinion the increased tariff has not had the effect of influencing the price. Isn't that so?

A. Yes.

14094. *Q.* But this is on account of the present abnormal conditions. When normal conditions are restored, would not the tariff have a great deal of influence in regulating prices in India?

A. I only meant to say that the influence of the change in tariffs is very insignificant when compared with the influence of the changes in prices.

14095. *Q.* That was during the war period. In normal periods any increase in the tariffs will affect prices.

A. Yes.

14096. *Q.* You have quoted the case of Canada and you say that Canada has imposed a 25 per cent. duty on imports of piecegoods. If you levy a 25 per cent. duty it will have no effect according to your argument?

A. In normal times the tariffs will have effect.

14097. *Q.* Of regulating prices?

A. Yes.

14098. *Mr. Jumnadas Dwarkadas*:—*Q.* From the very interesting statement that you have submitted to the Commission I gather that you are out and out a protectionist. Do you think that if protection were given to Indian industries, the agricultural population will not suffer?

A. No. They will not suffer to the same extent as the wage earners and other people will suffer.

14099. *Q.* Do you think that the rise in prices will be only temporary?

A. Yes.

14100. *Q.* Is it worth while facing this in order that India may ultimately become prosperous?

A. Yes.

14101. *Q.* Now I would like you to clear up certain points. You say that the middle class will be affected.

A. Yes.

14102. *Q.* Do you mean to say that the middle class will be affected most?

A. Yes.

14103. *Q.* In the case of the wage earners they will make up for the rise in prices by an increase in wages?

A. Yes.

14104. *Q.* In the case of the agricultural population they do not use imported articles and so, you say they will not suffer?

A Yes.

14105. *Q.* Would you suggest any remedy for the suffering which will be inflicted on the middle classes?

A. There will be some difficulty in the case of the middle classes. It will take some time to adjust the salaries that they would get to the price level.

14106. *Q.* Is not there a difficulty in getting their salary increased? So far as the ordinary wage earners are concerned, they can combine and have their wages increased. But there is no likelihood of any substantial combination among the middle classes?

A. Yes.

14107. *Q.* Then if the duty is very prohibitive it would affect the middle classes very much.

A. That is what happened during the war. When the prices rose heavily the middle classes suffered most and they demanded better wages and the business men recognising that they were in real hardship have enhanced their salaries.

14108. *Q.* But in considering the extent to which you must raise your import duties, the middle classes are a factor which you ought to consider very seriously, should you not?

A. Yes.

14109. *Q.* You speak of the handloom industries. Now, I would like to know from you whether your handloom weavers consume more foreign yarn than Indian yarn?

A. From what I know at present they consume more Japanese yarn than Indian yarn.

14110. *Q.* Is it Japanese yarn of lower counts or finer counts?

A. Of lower counts, I mean 40s or 50s.

14111. *Q.* But you can manufacture 40s in India.

A. Yes.

14112. *Q.* I don't know if you can manufacture 50s on a large scale; but you can manufacture, up to 40s, I believe?

A. Yes.

14113. *Q.* The handloom weavers consume whichever is lower in price. It does not matter whether it is the lower or the finer counts?

A. Yes.

14114. *Q.* You know that yarn of all counts is at present exempt from duty. Suppose this Commission recommended an import duty on yarn, would it affect the handloom weavers unfavourably?

A. They will begin to consume Indian yarn.

14115. *Q.* Don't you think that it is an advantage if the production of Indian yarn could be encouraged?

A. Surely.

14116. *Q.* Would you then advocate an important duty on yarn?

A. Yes.

14117. *Q.* Would you advocate that yarn should not be exempt from duty?

A. Yes.

14118. *Q.* Are you entirely against export duties on raw materials in principle?

A. Yes.

14119. *Q.* You say that if a policy of protection is adopted, it will naturally affect the price of raw materials. Do you mean that it will make raw materials cheap?

A. Yes.

14120. *Q.* In answer to Question No. 30 you say 'the imposition of a protective duty upon imports reacts upon the exports. The discouragements of the import of manufactured goods will result in lessening the demand for our raw materials in other countries and thus the raw material being less in demand will be sold cheap in the country.' What effect will it have upon the cultivator? Will not the raw material become so cheap as to affect the cultivator?

A. Yes, for the reason that the demand from foreign countries for the raw materials will decrease. But by that time the Indian demand itself for the raw material will be sufficiently big to compensate the cultivator.

14121. *Q.* You mean the demand for raw materials for manufacturing purposes?

A. Yes.

14122. *Q.* Do you mean that instead of sending out the raw materials you will manufacture articles from the raw materials in India and that will counterbalance the temporary fall in prices?

A. Yes.

14123. *Q.* So in your opinion the agricultural population or the cultivator class is not at all likely to suffer.

A. Yes.

14124. *Q.* Do you think that the establishment of factories will provide occupation for the agricultural population in times of leisure?

A. Yes.

14125. *Q.* How will the factories be able to find labour when the agricultural population is at work in the fields?

A. There are many other people who can become industrial labourers.

14126. *Q.* Do you mean to say that there is a large proportion of people who are free to divert themselves to industries?

A. Yes.

14127. *Q.* You are interested in the pencil industry. May I know how many years' experience you have in this industry?

A. The factory itself was established by the Government only three or four years ago and we purchased the factory two years ago from the Government of Madras. My experience is only for the last 1½ or 2 years.

14128. *Q.* Before that your experience mainly consisted in the piecegoods trade?

A. Yes.

14129. *Q.* Is this pencil industry widely known in India?

A. It is not producing so much as to become widely known in India.

14130. *Q.* Do you think that a policy of protection will help the production of pencils?

A. A policy of protection will create a large number of pencil factories.

14131. *Q.* Now the pencil factory is comparatively a minor industry?

A. Yes.

14132. *Q.* Does your experience in this minor industry justify your expecting that if minor industries are protected there is a good future for them?

A. In the case of the pencil industry, if there is sufficient protection there will be many other people who will take up the industry and organise more and more factories.

14133. *Q.* Do you consider that what applies to the pencil industry also applies to almost all small industries?

A. Yes.

14134. *Q.* Do you think there are numerous small industries that can be helped in this way?

A. I think there are several.

14135. *Q.* Your experience in this makes you very hopeful?

A. Yes.

14136. *Mr. Mant:*—*Q.* In answer to Question No. 9 you put forward an ingenious argument that the effect of protection would be to drive people to purchase inferior articles, and that this would constitute a sacrifice not so much of money as of quality.

A. Yes.

14137. *Q.* Do you consider that an inferior article is really cheaper than a better article at a higher price? Take the case of your pencil manufacture. You say that the Japanese pencils do not last as long as your pencils. You have to sell your pencils at Rs. 5 a gross whereas the Japanese pencils are sold at Rs. 4; but your pencils last twice as long as the Japanese pencils. Surely the man who buys Japanese pencils sacrifices money as well as quality?

A. The example of pencils is a special case.

14138. *Q.* Take the case of matches. Is not here again a sacrifice of money and quality?

A. If you take up the case of cloth, the cloth will be coarser and that is all the inferiority that it possesses when compared with the foreign cloth.

14139. *Q.* I do not want to take the case of cloth, which may involve 'political' considerations. I merely wanted to examine the question from an economic point of view.

A. In some cases it happens as you say.

14140. *Q.* Let us take the case of boots. You buy inferior boots made of inferior leather which may not last long. Are you there merely sacrificing quality and not money?

A. Of course, the consumer does not lose so much money as quality, as a coarser boot is sure to last longer than a finer one.

14141. *Q.* In England it is the contrary. In answer to Question No. 14, you say that it is impossible to say at the outset whether an industry is likely to be successful or not?

A. Yes.

14142. *Q.* For that reason you recommend protection for all industries.

A. Yes.

14143. *Q.* Would not that result in protecting a lot of industries that could not have succeeded and would not that be hardship to the consumers of this country?

A. But protective duties upon such industries will bring revenue in a larger measure to the Government and remission of taxation may be made upon another article like salt.

14144. *Q.* My question is, won't you compel a lot of consumers to pay unnecessarily high prices for articles which never can be successfully manufactured in this country?

A. All that he is affected by is the rise of prices, and that rise of prices may be counteracted by lowering the price of another necessary article.

14145. *Q.* Can you tell me how the reduction in the price of salt (a few annas per head in the year) will compensate the consumer for paying higher prices on other articles?

A. If there is a rise of prices a poor family does not pay more than a few annas per month or so in the way of rise in prices, and that extra payment can be remitted back to him by reducing the price of a commodity like salt.

14146. *Q.* If a certain industry is found to be unable to stand upon its own legs after trying it for a reasonable period, you may resort to lowering duties again?

A. Yes, if it is found necessary.

14147. *Q.* What is the reasonable period? How many years?

A. The reasonable period must be fixed by experts for each industry.

14148. *Q.* Till then the consumer should be paying duty?

A. The consumer's money does not go abroad. The money he pays in one way can be got back in another way.

14149. *Q.* When this factory was taken over by private management, was it intended to manufacture pencils from Indian wood?

A. No.

14150. *Q.* It was intended to manufacture them from imported wood?

A. Even then there were hopes that we could find proper wood in India.

14151. *Q.* But you did not know of any wood then in sight in India?

A. No.

14152. *Q.* Were Government using imported wood when they ran the factory?

A. Yes.

14153. *Q.* Did they not experiment with any Indian wood?

A. They have been experimenting all along. Even now they are experimenting.

14154. *Q.* Did Government not discover any suitable Indian wood?

A. No.

14155. *Q.* Coming to your answer to Question No. 50 regarding your proposal for differential *ad valorem* duties on pencils, where you want a higher duty against Japan than against the European pencils, would not your object be met by a specific duty, say so much a gross?

A. Yes, it would.

14156. *Q.* It would fall a little more heavily on the cheaper and inferior pencils than on the better pencils, would it not?

A. Yes.

14157. *Q.* As regards piecegoods, you suggest as an alternative to the *ad valorem* duty a fixed duty on each square yard of cloth.

A. I never suggested that at all. I said that if an alternative was to be adopted, this method is the best.

14158. *Q.* Then you don't want it?

A. I don't.

14159. *Q.* Do you know of the system of tariff valuations for levying an excise duty on Indian made cloths?

A. No.

14160. *Q.* The duty is *ad valorem*, but the tariff value is fixed for particular kinds of cloth, that is, really the tariff value is fixed on the quality; and it has been suggested that the import duty on cotton should be levied in the same way by means of tariff valuations. I would like to know whether that would suit your business, and whether you would have any objection to it.

A. That would be suitable to our industry.

14161. *Mr. Seshagiri Ayyar.*—*Q.* I just want to strengthen your position as regards your theory that the agriculturist would not suffer by a rise in prices. There are certain things which are absolutely necessary (for example salt), and which the agriculturist cannot go without. In the case of cloth, supposing the price is higher, the agriculturist would rather economise and use the same cloth for a longer period of time than he would otherwise do. The result of it would be that the rise in the price of cloth would not fall so heavily on him as a rise in the case of salt, and things of that kind. Is that what you mean?

A. Yes.

14162. *Q.* When you say that the agriculturist is not likely to suffer what you mean to suggest is that he would so utilise the foreign article which he is obliged to use that its use may be prolonged for a length of time. As a result he would not in the end be a sufferer?

A. Yes.

14163. *Q.* Looking through your answers 1 to 10 I take it that you are practically a representative of the small capitalists in this Presidency?

A. Yes.

14164. *Q.* You have not got in Madras as much capital as can be risked in an undertaking?

A. No.

14165. *Q.* You feel suspicious about embarking on an enterprise, and therefore if the Government would come to your assistance it would infuse confidence in you small capitalists, would it not?

A. Yes.

14166. *Q.* If there is a protective duty that would induce the small capitalist to come out and invest his money?

A. Yes.

14167. *Q.* You think that so far as Madras is concerned, if there is assistance from Government by way of loans, and if there is a protective duty, the small boards of money which you find in various places would be tempted out, and the result will be the establishment of industries in this Presidency. Is that your position?

A. Yes.

14168. *Q.* I believe that in this case you are voicing the sentiments of the small capitalists of the Madras Presidency?

A. Yes.

14169. *Q.* Coming to your answer to Question No. 16, in answer to Mr. Jamnadas Dwarkadas you said that if there is a duty upon foreign yarn, so far as the Indian handloom weaver is concerned, he would use the Indian yarn. Would that not bring him into conflict with the powerful mill industry in this country, and would he not suffer thereby? You are advocating a duty upon foreign yarn, and you have got a powerful mill industry which produces its own yarn to a large extent; and if the handloom weaver is compelled to resort to these Indian mills would he not be handicapped as compared with the mill industry?

A. Many of the weaving mills are provided with spinning mills generally, and the demand for mill-made yarn from weaving mills will not be very great as compared with the demand from the handloom weavers.

14170. *Q.* Even then, with regard to goods produced by the handloom weaver and the goods produced by the mill industry (I am speaking of this country alone) would not the handloom weaver be at a disadvantage if there is a duty imposed upon foreign yarn, because these mill people may combine and raise the price of yarn? They have got their own mills in which they can use their yarn.

A. The handloom weaver and the weaving millowner will be in the same position as they used to be before the levy of the duties.

14171. *Q.* At present there is no duty, and therefore if the present handloom weaver wants to purchase yarn he can go to the cheapest market.

A. If the duty affects the handloom weaver it will also affect the millowner.

14172. *Q.* Would he necessarily be affected?

A. It affects all the weavers, whether mill weavers or hand weavers.

14173. *Q.* I thought you were in favour of encouraging the handloom industry.

A. But not at the expense of the mill industry.

14174. *Q.* But you don't want that the handloom industry to suffer as against the mill industry?

A. The relative position of the millowner and the handloom weaver is not changed even by the levy of the duty.

14175. *Q.* Have you worked out the figures as to how much yarn is being used by them?

A. The position will be the same as it is now because the duty will be imposed upon an article of consumption of both the people.

14176. *Q.* You have yourself admitted that in many of the mills in Bombay there is also a department for producing yarn.

A. Yes.

14177. *Q.* Would that not to a certain extent benefit the millowner as against the handloom weaver?

A. It may benefit the millowner but I do not know whether it will be disadvantageous to the handloom weaver. I think he won't be affected.

14178. *Q.* You said that the "linked system" which is adopted in Switzerland, can profitably be introduced in this country. The difficulties are that these handloom weavers are scattered over the whole of the Presidency, and there is no possibility of combination to the same extent as in a small country like Switzerland. Also you have not got a large number of mills to which these people can be linked Therefore the linking system cannot be profitably applied here.

A. There are certain weaving centres like Vetapaleam, Salem, etc.

14179. *Q.* There are very few centres. Again this system won't apply in Coimbatore, Salem, Trichinopoly and such places.

A. By linking I do not mean that there should be a factory system of labour at all. The weaver will take the product to his own house and weave it there. He will be supplied with yarn by the mill.

14180. *Q.* Coming to your answer to Question No. 18 you say that if there is a protective duty foreign firms will establish themselves in this country?

A. Yes.

14181. *Q.* But you say in the beginning that the Government should encourage the establishment of industries with Indian capital by granting loans at low rates of interest?

A. I have clearly stated that before foreign industrial firms come here and establish themselves some granting of loans must be resorted to.

14182. *Q.* Foreign firms are to be allowed to establish themselves?

A. Yes.

14183. *Mr. Coyajee.*—*Q.* In your answer to Question No. 9 you explain the theory of protection affecting the consumer not so much in price as in quality. Take a concrete case like blankets. Suppose foreign blankets of superior quality come into the country at Rs. 5 each and blankets of inferior quality are selling at Rs. 4 each. Suppose we cannot make the superior blankets except at Rs. 6 each. Therefore we must put an import duty of Re. 1 on the foreign blankets. Now you argue that the Indian consumer will lose nothing because he can fall back upon the Rs. 4 blankets and constantly go on buying them?

A. Yes. That is what I mean.

14184. *Q.* Then protection will fail to develop the superior blankets industry. The producer won't make them if people do not buy them?

A. What I mean is that in the initial stages they will produce only Rs. 4 blankets for a time, and after that they will be able to produce better qualities also.

14185. *Q.* But the superior blankets will be produced at a cost of over Rs. 5 *ex hypothesi?*

A. As the industry becomes developed the cost of production will become smaller.

14186. *Q.* But it cannot be developed as long as we are only producing Rs. 4 blankets?

A. They will be able to produce superior ones at Rs. 6, in the beginning and after efficiency of manufacture is attained, they will produce them cheaper.

14187. *Q.* But certainly for some time orders must be given for the Indian superior class blankets at the higher prices before you can begin to work on them. Those who give orders will lose money and not quality as you suggest?

A. Those who insist upon quality will lose money of course.

14188. *Q.* If people buy the cheap ones who will encourage the superior blankets industry?

A. The rich people who will insist upon quality can afford to lose money on them.

14189. *Q.* So in order to encourage the manufacture of the superior blankets some men must pay the price and lose not in the shape of quality but in the shape of money?

A. Yes.

14190. *Q.* In your answer to Question No. 24 (*b*) you say that the agricultural wage earner is rarely affected by the rise in prices, as he rarely consumes imported articles except some necessaries like cloth, etc. In the case of metals out of which the agriculturist makes his implements, his pots and pans, and other things besides, the agriculturist may feel the effect of the import duties?

A. His amount of consumption of metallic ware is small and is not recurring.

14191. *Q.* To a certain extent, at least the better class agriculturist will consume sugar on which he will have to pay import duty?

A. The agricultural classes rarely consume imported sugar.

14192. *Q.* I say that the superior class of agriculturist will have to pay import duty on sugar?

A. As far as my knowledge goes, even the richest landholder buys only jaggery and not sugar.

14193. *Q.* The Industrial Commission say in their Report "Petty articles of domestic use or personal ornament, such as scissors, mirrors, bangles, and the thousand and one cheap and glittering trifles with which the rural huckster decks his stall have poured in from abroad." So besides metals the agriculturist uses these articles also?

A. His consumption of these articles is very very small.

14194. *Q.* But his income too is rather small?

A. It may be small in some cases.

14195. *Q.* Don't you think that the agriculturist consumes kerosene oil in large quantities?

A. In villages people use more castor oil than kerosene oil. In towns and cities they use kerosene oil.

14196. *Q.* Do you think that the incomes of the middle classes of late have risen in proportion to the rise in the cost of living?

A. Surely those that were being paid salaries are getting better incomes than in pre-war days.

14197. *Q.* The industrial wage-earner can raise his wages by combination, but the middle classes who are in receipt of salaries cannot combine?

A. Yes. That is why I say that there will be some difficulty in the case of salaries of the middle classes and that they slowly get the required increment.

14198. *Q.* So the middle class man will have to pay more than the others?

A. Yes.

14199. *Q.* Coming to the other side, let us see what would be the gain to the middle class man. He will be able to work in the industrial concerns which will be started and get higher salaries there. But in competition for industrial jobs will not the son of the middle class man be handicapped as compared with the son of the artisan class, who has inherited capacities for industry? Would the fiscal policy have any effect in that case?

A. The fiscal policy would give industrial development, but in competing for the jobs which will be opened by industrial development the son of the middle class man will have less chances of success than the son of the artisan class.

14200. *Q.* Would he not try for industrial jobs when development comes?

A. The middle class men are generally clerks.

14201. *Q.* So their prospects won't be much improved?

A. But they will have more industrial concerns to work in and they will be benefited by the industrial development of the country, causing a greater demand for their services.

14202. *Q.* You mean the clerical people?

A. Yes.

14203. *Q.* You say in answer to Question No. 72 that there is practically no competition in the piecegoods trade between India and England. You also say that an appreciable increase in the present tariff rates would diminish the piecegoods imports from Japan but not those from England. Your proposal is to put an additional import duty on piecegoods. You argue that it is Japan which would be hit and not England.

A. England will not be hit so much as Japan would be.

14204. *Q.* In the higher counts there is competition between India and England, is there not?

A. Yes.

14205. *Q.* For instance, we compete with Lancashire mainly in grey goods, and when piecegoods duties are increased they would hit Japan and also Lancashire?

A. I am speaking of the lower counts.

14206. *Q.* That would be the case if you had proposed that we should increase the duties on piecegoods of lower counts?

A. There is very little competition between England and India in the higher counts, whereas there is much competition between Japan and India in the lower counts. Therefore any increase will not affect England so much as Japan.

14207. *Q.* Our imports of piecegoods from Lancashire are very much more in value than our imports from Japan. Therefore additional duties on piecegoods would certainly affect Lancashire more than Japan.

A. The English imports will be affected only to the extent that the consumption in India would be affected, whereas Japanese imports will be affected to the extent that the Indian mills will be able to produce.

14208. *Q.* So you admit that there is some competition between Lancashire and India. You would not ignore the fact that there is some competition between Lancashire and India?

A. But it is exceedingly small.

14209. *Sir Montagu Webb.*—*Q.* You have some experience of pencil manufacture?

A. Yes.

14210. *Q.* Are you satisfied that it is an industry which is suitable to this country, seeing that you have not any wood which is the bulkiest part of your product?

A. In India, where there are so many kinds of trees and so many kinds of woods, I do not feel hopeless of getting suitable wood for the pencil industry.

14211. *Q.* Would it not be more business-like first to find the wood and then start your factory? I am only asking for information because I know nothing about the manufacture of pencils. Supposing you want to start coal-mining, I think the ordinary course will be to find the coal first. In the same way I should imagine that you should find the right wood first before you start the pencil factory?

A. It is not we that started the factory. It is the Government of India that started the pencil factory and we took it over from them.

14212. *Mr. Narottam Morarjee:*—*Q.* In answer to Question No. 19 you say "All that it can complain of is that spinning industry is more favoured by protection than

weaving. If that is the complaint, the weaver has the remedy in his own hands. He can spin his own yarn.' Can he spin the finer yarn ?

A. No. Under the present circumstances he cannot.

14213. *Q.* Have you got cotton for the finer counts ?

A. No.

14214. *Q.* How many pencil factories are there in Madras ?

A. I think in the whole of India, except the Calcutta factory, there is only one factory.

14215. *Q.* How do your pencils compare with the Calcutta pencils ?

A. The Calcutta pencils have never come here.

14216. *Q.* Do you sell your pencils in the market here ?

A. Yes.

14217. *Q.* Do you sell them locally or outside Madras as well ?

A. We sell them more locally than outside Madras.

14218. *Q.* You say that you are in the piecegoods business.

A. Yes.

14219. *Q.* Do you sell English, Japanese or Indian piecegoods ?

A. We sell mostly English piecegoods.

14220. *Q.* Are Japanese piecegoods sold in Madras ?

A. Yes.

14221. *Q.* To a large extent ?

A. Yes.

14222. *Q.* Only this morning we were told that Japanese piecegoods are not used in Madras and that Madras is not buying Japanese piecegoods ?

A. Japanese longcloth is usually sold in Madras.

14223. *Q.* Do the people prefer it to the Indian made longcloth ?

A. It has a better appearance than the Indian longcloth.

14224. *Q.* What about the lasting quality ?

A. I cannot say.

14225. *Q.* A gentleman told us this morning that Japanese competition is a menace to India. He was wrong you consider.

A. It is a menace to India just like a preferential treatment to the Manchester piecegoods is.

14226. *Q.* Apart from giving preferential treatment to the Manchester piecegoods, at present Japan is underselling her goods in India. Is not Japanese longcloth cheaper than Indian longcloth ?

A. Yes, in some cases.

14227. *Q.* Then is not Japan competing unfairly with Indian piecegoods ?

A. Yes.

14228. *Q.* Is it not a menace to India ?

A. It is a menace, but I don't think that it is a serious menace.

Witness No. 96.

The Southern India Chamber of Commerce, Indian Chamber Buildings, North Beach, Madras.

Written statement, dated the 6th January 1922.

Revenue Tariff.

14229. *Q.* We do not favour a policy of Free Trade for India. We generally favour a policy of Protection. In our opinion, India cannot bear further direct taxation and we should prefer an increase in customs to any increase in direct taxation. From the point of view of a Revenue Tariff, changes in the list of articles, or in the rate of taxation, at present, do not suggest themselves to us. We consider that the existing tariff policy has checked the growth of Indian industries and manufactures, and a continuance of this policy would only mean an increasing economic danger to India. When a duty is imposed on an article imported from abroad, we are opposed to an excise duty on the same article manufactured in this country. In our opinion, the Indian manufacturer ought to be protected if he has to compete with a foreign manufacturer, and an excise duty on the home manufacture is the very opposite of the protective policy we are urging.

Protective Tariff.

14230. *Q.* The Indian Tariff, in our opinion, should be framed primarily with the object of fostering Indian industries. India is now dependent on foreign countries to a very large extent for manufactured goods. Though we do not look forward to India becoming independent entirely, in this respect, in any length of time, we are anxious that the present state of dependence and helplessness should give way before a steady and vigorous industrial advancement. We consider the masses of the population are far too poor and that their scale of wages and earnings should be considerably and speedily raised by providing industrial and manufacturing pursuits for them in a large measure. At present, the great bulk are only dependent on land and agriculture and this great tension should be relieved by a diversity of other occupations. For this purpose, we should not hesitate to ask for substantial aid to industries by means of protective tariffs. While we are generally in favour of a policy of protection, we should select industries for tariff assistance on certain principles. We should prefer such industries, for instance, as are likely to face foreign competition after a reasonable time, without assistance, to industries which may require continuous assistance; as in the latter case, the result can only be a needless burden on the consumer. As a rule, we would urge protection for all important industries which may be considered essential for national safety in times of war and for the general well-being in times of peace. Every promising nascent industry which has to struggle against an imported manufacture should, in our opinion, receive protection, until it is helped to stand on its own legs. We should not hesitate to extend protection wherever we find imports of corresponding foreign goods are favoured by artificial aids such as dumping, bounties, subsidies, or transport concessions. Our attitude is one of active sympathy for hand industries and of all possible encouragement and aid for the handloom weaving industry, in particular. In view of the vastness of the Indian population, their daily requirements, and the enormous numbers who are dependent on hand industries for their bare livelihood, it is an economic necessity of paramount importance to keep alive and encourage the arts and handicrafts of India and assist them in all possible ways. Our attitude is one of earnest solicitude and anxiety for the success of the cotton handloom industry, in particular, as against all competition. It is an ancient, universally popular, essential and artistically developed industry of the land. Considering the Indian population and its overflow in other countries, and their clothing requirements, and general taste, we do not apprehend that in any measurable length of time the powerloom industry will come to injurious competition with the handloom. We wish the hand industries generally, and hand-weaving in particular, not only to be maintained but fostered and encouraged. The protected manufacturers may possibly combine to maintain monopoly prices, but protection can always be so regulated or withdrawn, if need be, as to counteract the evil effects of combination. Control, if at any time deemed necessary, in the interests of consumers may be imposed to regulate prices, to prevent exports, to fix the margin of profits, and even to take over the entire output for economic distribution. All these methods were adopted during the war, and in any real emergency, for general good, suitable measures can always be adopted. But we consider such a danger is more or less imaginary. Nor are we apprehensive on the score that foreign firms will establish themselves in this country and receive the benefit of the protective tariff. The country and the people should be benefited indirectly even in such a case, for it will mean some scope for Indian labour and some opportunity for Indian skill. It is also something that the profits of such an industry will be derived in this country. At the same

time, we are against any wholesale exploitation by foreign firms established in this country, and for this purpose would suggest the amendment of the provisions of the Indian Companies Act suitably, to ensure a reasonable share in capital, control, and profits to Indian enterprise, in foreign Joint-stock ventures to be established in this country under protective auspices. Conflicts of local interests among competing industries might arise as indicated in the Question No. 19, but there can be no difficulty in settling and adjusting such conflicts, as far as possible on the principle of aiding and encouraging the largest interests concerned, instead of any narrow or sectional interests, however influential or wealthy.

Protection and Prices.

14231. *Q.* Protection may for a time tend to show a rise in prices of the protected articles, to the consumers, but this can only be until the protected industry is helped to stand on its own legs and withstand competition. The temporary disadvantage will be more than made up in the long run when the industry has proved a success. We would be quite willing to accept an increase in price to the consumer for a time, for the sake of an industry beneficial to the people being encouraged and developed. The increased cost of living caused by increased tariffs would, in our opinion, be covered adequately by the rise in the wages and salaries of the classes mentioned generally. The increased wages in the case of the industrial and agricultural wage-earner may not be the same in the beginning, but in the long run the difference will disappear. In any case, even should there be an inconvenience due to high prices, the sacrifice is worth making by those interests involved, for the benefit of industrial development which ultimately is the development of the largest interests of the people and the country.

Protection and Foreign Trade.

14232. *Q.* Consistent with an active policy of fostering Industries by means of Protective Tariffs, we will do everything to carry on and improve our foreign trade. We will not urge a wasteful tariff war with our foreign customers, nor seriously impair our general commercial position for the sake of our industries. We will follow the example of the advanced Protectionist countries in developing their indigenous industries in view to eventually increasing their foreign trade.

Tariffs and Bargaining.

14233. *Q.* If we could advantageously bargain with other countries by the regulation of our tariffs, we should be glad to do so. We are not, however, for discriminative tariffs and prefer to have a simple tariff for all, subject to our being free to retaliate where we are hit.

Organisation.

14234. *Q.* We would advocate a permanent organisation to investigate the claims of various industries for protection and for the adjustment of tariff rates periodically. Such an organisation should be representative of the important interests in the country, as far as possible, with membership therein, on an elective basis, for a fixed period, with an advisory function, to the Central Legislature.

Export Duties and Protection.

14235. *Q.* We advocate the imposition of export duties wherever necessary for the encouragement of the manufactures of raw materials. On foodstuffs, we would ask for an export duty, only when the Indian prices are unreasonably high and also the cost of living ; or when there is a scarcity. When there is an available surplus of food grains in the country, we will have no export duty except for bare revenue purposes. On other than foodstuffs, wherever there is a reasonable chance of converting raw products into manufactured articles usefully and advantageously to the country, we will not hesitate to ask for an export duty of a protective character.

Imperial Preference.

14236. *Q.* We would not risk an economic loss for India for the sake of Imperial Preference. Our acceptance of Imperial Preference in respect of any tariff-rated article would entirely depend upon the economic gain such preference may bring us. India is too poor to make any sacrifice for the sake of the Empire. On the other hand, we expect the rest of the Empire and specially Great Britain to afford us all possible advantages in their tariffs, even at some sacrifices of their interests, in view of the exploitation of our commercial interests carried on ever so long, by forcing us to a free trade policy in spite of our economic and industrial infancy and helplessness. As regards parts of the Empire which are adopting a policy of excluding Indians on equal terms, any preference, needless to say, will be out of the question. We should not shrink from active retaliation, if need be.

Messrs. C. DORASWAMI AYYENGER and GOPAL MENON, representatives of the Southern India Chamber of Commerce, Madras.

Oral evidence, dated Madras, the 1st February 1922.

(*N.B.*—Mr. Iyyenger answered most of the questions and in places where Mr. Menon answered, his name has been mentioned.)

14237. *President.*—*Q.* You represent the Southern India Chamber of Commerce?

A. Yes.

14238. *Q.* The members of your Association are interested in import and export trade and in industries also?

A. Yes.

14239. *Q.* You say in the 1st paragraph of your written statement that "we consider that the existing policy has checked the growth of Indian industries and manufactures, and a continuance of this policy would only mean an increasing economic danger to India." Will you please explain what you mean by that?

A. (*Mr. Menon*) That means we are not protected in the case of certain industries by special tariffs.

14240. *Q.* My question was this. You say that the existing tariff policy which is based on free trade principles has checked the growth of Indian industries and manufactures and that a continuance of this policy will only mean an economic danger to India. Please explain what is meant by the expression 'economic danger.'

A. (*Mr. Menon*) Because the advanced nations will be able to put goods on the market at a much cheaper price than people who are engaged in industries here. In that way, the home industries might not be able to compete successfully with the foreign manufacturer.

14241. *Q.* I quite see that, but how will that be an economic danger? Do you mean that India under these conditions will always remain an agricultural country?

A. If the present free trade policy is going to be continued our fear is that sooner or later even the few industries that we have will be swamped by the flood of imports into this country : there will be no industrial advancement, and we will in consequence lose our ground economically, that is, our people will not have the labour that they should have, the country will not have the wealth that it should have, and the progress of the nation as a whole will be retarded. That is what we mean by economic danger.

14242. *Q.* Then under the heading "Protective Tariff," you say that "we are anxious that the present state of dependence and helplessness should give way before a steady and vigorous industrial advancement," that is to say, you would advocate a fiscal policy of a vigorous character which would promote the industrial advancement of the country and save it from its present state of dependence and helplessness in regard to its supplies.

A. Yes.

14243. *Q.* That would mean that the country will have to pay for it.

A. Yes.

14244. *Q.* Are you prepared to undertake the liability to achieve that goal?

A. (*Mr. Menon*) In the initial stage, we shall have to.

14245. *Q.* Are you prepared to pay?

A. Yes, our idea is that our industrial advance is worth any sacrifice. That is the importance we attach to our industrial progress.

14246. *Q.* I take it that your policy is that industrial advance is worth a substantial sacrifice and that you are prepared to pay for it.

A. Yes.

14247. *Q.* Then as regards the establishment of industries behind the protective walls by foreign firms you say as follows :– "At the same time, we are against any wholesale exploitation by foreign firms established in this country, and for this purpose would suggest the amendment of the provisions of the Indian Companies Act suitably, to ensure a reasonable share in capital, control and profits to Indian enterprise in foreign joint-stock ventures to be established in this country under protective auspices." Will you please explain a little more in detail what safeguards you require under this head?

A. We purposely left this in a general way because we thought that in a matter of detail like that there might be room for difference of opinion and that point might be discussed and the exact limits defined later on. At the same time we would like to say that in the case of foreign companies or industrial ventures being started we would like to have a proportion between 50 and 75 per cent. of the capital being left open to Indian subscribers, and instead of taking away the benefits of that investment by foreign managing agencies, we would also insist upon a reasonable share of the managing agency profits accruing to Indian interests. This thing would have to be controlled by the provisions of the Indian Companies Act. In that case it would only apply to joint-stock enterprises. We thought that we might leave alone the private enterprises and take hold of foreign joint-stock enterprises and ask for suitable provisions in the Act to ensure the Indian interests being safeguarded. That was our general idea but so far as the details are concerned, we would like them to be settled after further discussion.

14248. *Q.* Do you think that your suggestion can be carried out in practice effectively?

A. We had our fears but in view of the agency to be employed for regulating the scientific tariff we thought this might also be settled by the permanent Commission which we have proposed.

14249. *Q.* How could you have management on a joint basis?

A. At all events where the management is entirely foreign, our fear is that the benefit to us will be *nil* and that we ought to guard against that.

14250. *Q.* In view of that opinion, it would be very interesting to know what practical suggestions you have to make?

A. So far as the management goes?

14251. *Q.* Yes, management and capital.

A. Of course, it is not such an easy matter to lay down rules definitely. Even with regard to capital it is just possible that the share-holders are not as they are represented to be. It might be European or Indian or any other for aught we know, but that is the result we desire to achieve (and we have not thought out exactly as to how it should be done) because it is the industrial advancement of the country to which we are aspiring.

14252. *Mr. Narottam Morarjee.*—*Q.* You say "We should prefer such industries, for instance, as are likely to face foreign competition after a reasonable time, without assistance, to industries which may require continuous assistance."

A. Yes.

14253. *Q.* Will you name some industries which could be established here?

A. So far as South Indian conditions are concerned, I would urge for your consideration the oil seeds industry. We export about Rs. 5 crores worth of oil seeds from this Presidency. These are sent out in their raw state. An attempt was recently made by the Tatas to start an oil mill factory on this side but it has not yet come to pass. We should like such an industry started. Take again the tanning industry. We export a large quantity of hides and skins from this Presidency. We should like the tanning industry to be established, but in all these cases our point is that the protective aid we ask for is with a view to establish these industries in the country and it is specially for that that we ask for protection. When once these industries are established and they are able to stand on their own legs, protection would become undesirable and we would not ask for it. We would ask for its removal.

14254. *Q.* With regard to handlooms you say "Our attitude is one of active sympathy for hand industries and of all possible encouragement and aid for the handloom weaving industry, in particular." How would you like to give encouragement for the handloom industry?

A. At present sufficient attention is not being given to the development of the handloom industry, notwithstanding the efforts of the Industries Department here. There are peripatetic weaving experts going about distributing handlooms, and educating the weavers and encouraging them to form co-operative societies and things of that kind. In this case the encouragement of the handloom industry would not be by means of a tariff. It would be by means of active aid from the Government.

14255. *Q.* What sort of active aid?

A. By way of getting them cheap looms, the raw materials which they require, railway facilities in getting raw materials and by starting a number of weaving schools; by employing a number of weaving experts and by finding a market for hand made goods. At present these goods are being consumed largely in the country and if there should be a further demand for the hand woven goods within the country and elsewhere, we should find this industry thriving. For instance, the so-called Madras handkerchiefs are all hand woven. They have a market in Singapore, South Africa and other places. Of course, a great deal can be done by way of finding a market and by making it worth the while of the weavers to weave more and more.

14256. *Sir Montagu Webb.*—*Q.* May I ask how many members there are in your Chamber?

A. About 235.

14257. *Q.* And what businesses are they engaged in mostly?

A. Most of them are hides and skins merchants, next come the piecegoods merchants; next come the tanners, then the metal importers.

14258. *Q.* Are any of your members engaged in industrial undertakings other than the tanneries?

A. There are members who are engaged in cotton spinning.

14259. *Q.* In mills or handlooms?

A. In mills. There are members who are engaged in the jute industry.

14260. *Q.* Jute mills?

A. Yes.

14261. *Q.* Have you jute mills here?

A. Not in Madras but in Ellore within the Presidency. I am only speaking of the major industries. There are also several engaged in minor industries like soap making and oil making.

14262. *Q.* When you say in your opening paragraph that the existing tariff policy has checked the growth of industries, you recognise, I take it, that industries have grown very considerably during the last 30 years in different parts of the country?

A. They have grown we admit, but not very considerably. They would have grown considerably but for the present tariff regulations.

14263. *Q.* They would have grown had it not been for the tariff?

A. Yes. (*Mr. Menon*) I think that the cotton industry is the only industry that has grown in such a way as to compete with the foreign goods. Take for instance the paper industry or the sugar industry or the match industry. These are all handicapped. The paper industry to-day is suffering severely from foreign competition.

14264. *Q.* Don't you think that some of the industries which you mentioned are suffering more from lack of raw materials, inadequate machinery and want of proper facilities?

A. (*Mr. Menon*) Yes to some extent but with regard to prices also they are suffering. Take for instance the paper industry. Foreign mills are now putting paper on the market at such a low price that the mills in Bengal are not in a position to compete with the imported article.

14265. *Q.* In Bengal the mills are not able to make the very best qualities of paper at all. Are they?

A. They are making white glazed printing creamlaid and brown paper and things like that but not unglazed printing successfully.

14266. *Q.* The reason why I ask this question is because I myself am personally engaged in the development of industries in India and I have never felt that the tariff was interfering with me in any way. I have always found that the difficulties were of an entirely different kind not connected with our tariff. That is why I ask you very particularly why you think that the tariff is the main difficulty or one of the chief difficulties?

A. To some extent there may be difficulties for capitalists here to get up-to-date appliances.

14267. *Q.* What is your experience in the way of getting adequate appliances?

A. Within the last five or six years owing to war there was some difficulty but with reference to the position you took may I invite your attention to the sugar industry in this country?

14268. *Q.* Have you read the Sugar Committee's report where the whole matter has been dealt with very exhaustively? That Committee do not recommend an import tariff as the best way of overcoming the trouble.

A. However this is what I submit with reference to the sugar industry. Notwithstanding the 15 per cent. duty which you have now, our progress has not been sufficient in spite of the advantages we have in this country. Supposing we have, instead of 15 per cent., 30 per cent. duty on sugar, surely our cultivators of sugarcane and our manufacture of sugar will increase. As to the difficulties, we recognise that this is an overwhelming difficulty which comes upon the top of other difficulties. So we would like this to be removed.

14269. *Q.* That is not the opinion of the Sugar Committee. You differ from them?

A. At present I am unable to discuss their conclusions. Whatever they are, with reference to the question you now put, I beg to state this that in case there should be this protective aid, the other difficulties that we have for starting and successfully working industries might easily be overcome but this is an insuperable difficulty. Unless capitalists and industrialists are assured that they can always expect a favourable and encouraging market here and elsewhere for the manufactured article, the other difficulties will remain and even may increase and so it is we ask that this protective aid should come first and the other difficulties will in course of time vanish. That is the position we take up.

14270. *Q.* That is what you feel is the best solution?

A. Yes.

14271. *Q.* I should like to ask you one or two questions more. In your remarks under the head "Protective tariff" you suggest an amendment of the Indian Companies Act so as to ensure to Indians a reasonable share of the capital and the control and profits to Indian enterprise. Have you in your experience found any distinction made or any hindrance put in the way of Indian capitalists subscribing to a limited company?

A. No. At all events we are not prepared to say offhand that there have been such hindrances.

14272. *Q.* Have you known any in your personal experience? Again I ask because I myself have floated a number of companies in India and I have always been most ready to receive Indian capital. I have never known in the whole of my experience one single instance in which Indian capital has been rejected because it was Indian.

A. Our experience is also mostly in that way but the point of our representation is this that in case really protective duties are going to be imposed and in case foreigners are going to take advantage of the protective tariff and establish themselves and handicap us here in our own country within our own doors . . . . .

14273. *Q.* How can they handicap you?

A. That is there are industrially advanced countries. Take for instance America or Japan. They have a lot of surplus capital which they control. Supposing in view of the tariff aid which we are getting the outsiders come in and take advantage of this more readily than we, considering our own conditions and our present industrial backwardness, all this cry for protection and all this demand for help will become useless in case the whole benefit goes to them.

14274. *Q.* In case some discrimination should be made in future which has not been made in the past—there is no discrimination that I know of in the formation of companies under the Indian Companies Act and I have never heard so far of any discrimination being made,—you would like some protection or some assurance that Indian shareholders should obtain the major portion of the capital of any new venture.

A. Even as regards the existing conditions, we would not go to the length you go because only the other day we heard of a big steel company being floated in Calcutta and we do not know where we are in it. For aught we know there may be no Indian shareholder and no Indian money going into it and in cases of big ventures being started with an initial assurance of success it is just possible that those who represent the country and those who are interested in the people would get very little share. It may not be open to them at all. By the time they find that there is a company being floated they might also be told that there are no shares offering. Things like that may happen.

14275. *Q.* What I understand is that you are not speaking from your practical knowledge of what has happened but that you are only apprehensive that in future some unfair distinction might be made, and that you are anxious to safeguard against that.

A. So far as the future is concerned that is our main fear.

14276. *Q.* If it has not happened in the past, why should you suddenly fear that it may happen in the future? Why should you have this fear?

A. Things which had not happened in the past might happen in the future.

14277. *Q.* In my experience there has never been any hindrance to Indian capital coming into the limited companies. There has been no hindrance to Indians receiving the full benefit of that. There has never been any hindrance to Indian Directors being appointed, and as far as I know there has been no hindrance to Indians controlling even industries. We are only too anxious to have Indians controlling industries. So far as my personal knowledge goes, I don't remember any difficulties being put in the way of Indians.

A. I would leave the coal industry, the jute industry and others to those who are interested in them. So far as the Southern India is concerned, it is not our experience, but it is just possible that cases might arise.

14278. *Q.* I should like to pursue the same subject a little further in another respect. What your request amounts to appears to be this, that in future in the building up of an industry, talent and ability should not be taken so much into consideration as racial qualifications, that is to say that future business is not to be built up on the principle that the most enterprising man gets the best results, but rather that you prevent the most enterprising man getting the best results and make certain that the Indian capitalist should hold a predominating place, no matter whether he is enterprising or whether he is the best man and has the requisite talent.

A. We are anxious to get as much talent as we can for the industries to be run; we are anxious to get as much capital as we can but at the same time our fear is this that in the employment of talents and the employment of capital it should not happen that we are nowhere.

14279. *Q.* There is no handicap at present.

A. I say that in case there should be wholesale protection for industries in this country, such a thing might happen. We think that our fear is understandable at all events.

14280. *Q.* I am trying to understand it. What you apprehend is that more enterprising people might take advantage of the situation and you don't want more enterprising people to come in. You would rather check industrial development and only allow them to extend their enterprise on condition that they take Indians into partnership to a very large extent?

A. Then I would say this that we would surely prefer not to see India being made a field for enterprises of every kind and from everywhere. It is not our idea, to put it positively, that we should throw our country and resources open to all enterprise from wherever it may come. It is for the encouragement of our talent and our enterprise that we ask for protection. That being so you can recognise our difficulty and our anxiety to secure our advancement.

14281. *Q.* Let me put one more question. Can I carry your position thus far: would you prefer that this country should not be developed at all by foreign enterprise rather than that foreign enterprise should be allowed a free hand?

A. You are putting two extreme positions.

14282. *Q.* I am endeavouring to get at what your position is?

A. My position is between these two extremes. I would have foreign capital and I am anxious to have the utmost industrial development. I would have such talent and such foreign capital as is necessary to ensure the advancement of this country, but if it is going to absorb me, surely I would stand against it. I would explain my position by putting it thus: take for instance a country like Great Britain. If, in the development of British industries, foreign capital came in you would not be against it. I dare say the Britisher would not be against it. But at the same time if that foreign capital should establish itself in such a way that the whole benefit of it goes out of Great Britain, then the Britisher would be against it.

14283. *Q.* There is no legislation in England to prevent it?

A. The necessity has not arisen in your case, because you could always take care of yourself, but we here are like infants, helpless. I would put my position in another

way. A wholesale exploitation of British resources by America, Japan or Germany, you would never tolerate. So we would not tolerate outside exploitation of our country. Within limits we do want foreign capital and we do want foreign skill and we do want foreign talents. We are not so selfish as to say that we can do everything ourselves. We do not want to have a ring fence.

14284. *Q.* Now, in the matter of export duties, you advocate the imposition of export duties wherever necessary for the encouragement of the manufacture of raw materials. Do you know of any country in the world where this policy is adopted?

A. (*Mr. Menon*) We are exporting raw materials more than any other country.

14285. *Q.* I do not think so. If you examine the statistics of America, you will find that North and South America are very large exporters of raw materials. Do you know any country in the world where the policy of encouraging the manufacture of raw materials is attempted to be carried out by means of export duties? I do not know myself, but my information may not be complete.

A. I should think every protective country does that.

14286. *Q.* You would think so, but do you know of any protective country which does it.

A. I am not in a position to say that any country does that with reference to any article, but I daresay that it is part and parcel of a protective policy. As I told you just now, we have oilseeds in this country. Surely we want our oilseeds to be converted into oil and into manure. The best way of doing it would be to impose an export duty on raw materials.

14287. *Q.* You think it would be the best way, but I cannot accept that it is the best way.

A. I shall try to persuade you.

14288. *Q.* Let me hear your reasons?

A. The fundamental position I have explained to you, and that is as many industries as possible should be started. The peculiarity of our country is that we produce a great deal of raw materials, but we do not manufacture them in this country. In the absence of a protective duty other countries have now every facility to take away our raw materials. We want to manufacture our raw materials in our country, and if we do not prevent the free export of raw materials from our country, there is no chance of our manufacturing these articles at any time. For instance, even with regard to an article like wheat, which is a foodstuff, a great deal of it is being exported.

14289. *Q.* I suggest that only a very small percentage.

A. A small percentage of the whole production, but a great deal of what is left after our consumption. We should like all that to be converted into flour before it is sent out. Why should we not have on export duty on the exportable surplus of wheat, oilseeds, cocoanut kernels, etc.? It would directly aid the manufacture in this country. I do not quite realise the difficulty you suggest, that such a duty has not been imposed in other countries. If they do not do it, they are not looking after their protective tariffs in the way they should. When we ask for protection it goes without saying that in a matter like this, we should have an export duty.

14290. *Q.* I put it to you that among the largest exporting countries of raw materials are the United States, Argentine, Canada and Brazil. They are among the largest exporters of raw materials in the world, and they are highly protectionist countries, but none of them have got export duties.

A. Of course, if they have an article which they cannot manufacture within the country, they should have no export duty. But if they can manufacture the raw material within the country and they do not put an export duty, I should think they are short-sighted.

14291. *Q.* You think that America is short-sighted?

A. I won't put myself to that position.

14292. *Q.* What about the interests of the agriculturist. The export duty, I take it, would in some cases tend to reduce the price. Therefore you are taking away a part of the earning of the agriculturists who form the largest part of the population?

A. This is not the first time we hear of this great solicitude for the agriculturists. At the same time, if they have to undergo some sacrifice, we should say, taking the interests of the country as a whole, the advantages to be derived by an industrial advancement of the country, the skilled labour, and the profits that accrue to the people of the country that sacrifice is worth making.

14293. *Q.* Have you any interest in agriculture?

A. Are you asking me individually, Sir?

14294. *Q.* Yes.

A. I have.

14295. *Q.* What crops are you interested in?

A. I raise paddy and I raise groundnuts.

14296. *Q.* And you would be prepared to accept a smaller price for your paddy and your groundnuts in the interest of the country?

A. Surely, I should have no objection.

14297. *Mr. Coyajee.*—*Q.* Please permit me to define the scope of protection as recommended by you. In the first place you would give protection to every promising nascent industry struggling against imports. Secondly, you would protect those industries which are considered essential for national safety in time of war. Thirdly, you would give protection against foreign goods favoured by artificial aids such as dumping, bounties, subsidies, etc., which would cause unfair competition. These are your main principles, and I might add that generally speaking you are not in favour of continuous assistance in the shape of protection.

A. No.

14298. *Q.* Then we come to the question of conflicts of local interests. You say: "Conflicts of local interest amongst competing industries might arise as indicated in the question, but there can be no difficulty in settling and adjusting such conflicts, as far as possible on the principle of aiding and encouraging the largest interests concerned, instead of any narrow or sectional interests, however influential or wealthy." This is the test, as it were, which you would apply whenever any conflict arises to bring about a solution. Now several cases of such conflicts have arisen before us and we will take, if you please, one or two of these, and I would ask you to apply that principle in order to settle the conflict. First of all there is iron and steel as a raw material. If you give protection to this, the industries making machinery would ask for protection, and the industries which make use of the machinery for producing finished articles would ask for protection because the price of machinery would rise if protection is given to machinery-makers. How will you apply in the case of such a conflict the principle which you have laid down?

A. Would you allow me to take another instance? I will take the spinning industry and the weaving industry. Of course if the spinner gets protection the weaver suffers, and if the weaver gets free yarn the spinner suffers. It is an obvious conflict, but we would try and reconcile the two. We would take the extent of protection and the extent of help needed. That would be largely a question of the actual conditions of each industry at the time. It is only where protection is absolutely necessary for establishing the industry that we ask for it. Where it does not require such protection we are not going to give it. It will depend on the actual condition of each industry how we regulate the range of protection. On the whole this protection should be applied scientifically and on very delicate lines. Surely those who work that scientific system, we expect, will take due note of the actual condition of each industry.

14299. *Q.* But as cotton mill-owners do you not know the present conditions of the weaving and the spinning industries?

A. We will leave it to the actual spinners and weavers on the Bombay side.

14300. *Q.* On the question of export duties, you say "On other than foodstuffs, wherever there is a reasonable chance of converting raw products into manufactured articles usefully and advantageously to the country, we will not hesitate to ask for an export duty of a protective character." Now I would put to you this consideration would it not be more advisable to wait and see whether our domestic manufacturers are likely to suffer from some scarcity of raw material owing to foreign competition before applying the export duty? Should we not see whether our own manufacturers are suffering from the raw materials being carried away by foreigners and therefore not being made available to them before an export duty is imposed.

A. (*Mr. Menon*) In the case of oilseeds now 75 per cent. of the groundnuts produced in the country are taken away. Suppose a portion of it is converted into oil here and the cakes left in the country, that will help the agriculturists a great deal. So can't we start imposing export duties with regard to oilseeds?

14301. *Q.* But should we not see whether there are enough oil-crushing mills in the country to consume the 75 per cent. we export?

A. (*Mr. Menon*) Of course. When there is a knowing that the manufacturers are going to be protected there will be quicker pace.

14302. *Q.* Therefore, export duties should be judiciously imposed ?

A. (*Mr. Menon*) Yes, India is a country where we grow a lot of raw materials and export duties, if judiciously imposed, will be one of the means by which the industrial development of India can be helped.

14303. *Q.*—That is ultimately after seeing that we have some manufacturers here who will take advantage of consuming at least a portion of the raw material ?

A. (*Mr. Menon*) We do not want to handicap the producers of the raw material.

14304. *Q.* You have asserted, gentlemen, that you possess tanneries in Madras. Now, there is an important question as regards that. Have your tanneries been materially assisted by the 15 per cent. export duty ?

A. It is rather unfortunate that we have not got with us to-day the representative of the tanning industry. But so far as we have gathered, the 15 per cent. duty has not benefited the tanning industry in this country. It has not done so because the export duty is of a very peculiar kind. It does not avail as against the biggest takers of our hides and skins, *i.e.*, Great Britain and the Colonies ; it avails only so far as our exports outside the Dominions and Great Britain are concerned, and so the effect of that duty is very much reduced by the way in which it is imposed. There has been a lengthening of the period of the drawbacks. The export duty practically comes to this ; that on all exports of hides and skins from this country there is only an export duty of 5 per cent. It should be still higher and this so-called preference is not calculated to help the industry in India. That is what we gather. If our exporters were here they would be able to substantiate this view much better. But that is the general feeling among the tanners in this country.

14305. *Sir Maneckjee Dadabhoy.*—*Q.* What is your conclusion about this duty. Should it be increased ?

A. This 15 per cent. is not uniform. The rebate should be removed. The rebate is not for the benefit of the tanning industry here : it is for the benefit of others elsewhere. The result of this export duty has been to develop not the tanning industry of this country but the tanning industry of Great Britain and the Dominions.

14306. *Mr. Coyajee.*—*Q.* But I would submit to you that Sir Nilratan Sircar at Calcutta told us that this export duty has reduced the price of hides and skins and has helped his tannery to get the raw material cheap.

A. I am afraid I cannot go more fully into the question.

14307. *Mr. Seshagiri Ayyar.*—*Q.* As regards the question which was put to you by Sir Montagu Webb, about the non-existence of an export duty on raw materials in America although she is a large exporter of raw materials, are you aware in this connection that the non-existence of an export duty on raw materials in America is not due to the unwillingness of the Americans to impose an export duty, but it is due to the fact that they have been prevented by their Constitution ?

14308. *Sir Montagu Webb.*—*Q.* That does not apply to Brazil, Canada or Argentine. And who prevented Americans ? It is the growers of the raw products that prevented them.

14309. *Mr. Seshagiri Ayyar.*—There has been this conflict of interest between the agriculturists and the industrialists, and at the very beginning the agriculturists were astute enough to have inserted in the Constitution a clause that there should be no export duty on raw materials.

A. I am quite happy to catch that idea. In America, I have heard so much of these combines and of the extraordinary way in which they carry on their special interest. Such a thing is quite possible, and it is quite in keeping with the general idea I have of the American way of doing things.

14310. *Q.* I think to a certain extent you have anticipated my question, when you said that when foreign firms come to establish themselves in this country you want a share in their management for more than one reason. As you yourself put it, you want protection in order that the wealth of the country may be increased. The wealth of the country cannot be increased if you allow foreign capitalists to completely take away the profits. Then you want our experts to be trained in industrial lines, and if you allow foreigners to be here you cannot have that benefit.

A. I will continue to be the infant I am.

14311. *Q.* These are your reasons which you have for saying that if possible you would like to have some share of the capital to be subscribed by Indians if a firm is to be started by Europeans.

A.—Yes.

14312. *Q.* Now, there is one other matter raised by the President. You know that in the recent Railway Committee's report they have pointed out that where the management is outside the country the interests of this country are not being properly looked after. That is why you want the management to be located in this country and shared in by Indians ?

A. Yes.

14313. *Q.* Now coming to Mr. Gopal Menon. So far as Madras is concerned you have got considerable experience of Madras. There is no such heavy capital in this Presidency as there is in Bombay ?

A. No.

14314. *Q.* The capital is in a large number of hands and it is all of small sums. I mean that the individual capitalists are smaller in this Presidency than in Bombay or Calcutta, and naturally they are not willing to risk any portion of it in enterprise.

A. Very little is coming forward for industrial development.

14315. *Q.* So, if there is a protective duty that would give them encouragement to invest in industrial enterprises, a great deal of the capital that is now wasted on jewels and ornaments would be employed.

A. Yes.

14316. *Q.* If there is protection to the industries, these small capitalists would be willing to come forward and invest in industrial enterprises. If they have to face foreign competition without protection, then they would not be bold enough to come forward and risk their capital in industrial enterprises.

A. If the capital is assured of a reasonable return, I am sure that capital will be forthcoming.

14317. *Q.* Now with regard to the handloom industry, at present there is no duty upon yarn imported ?

A. (*Mr. Menon*) Yes, it is free of duty.

14318. *Q.* Supposing a duty is imposed upon yarn. How would it affect the handloom industry in Madras ?

A. (*Mr. Menon*) As Mr. Doraswami Ayyangar pointed out a little while ago the handloom industry is in a disorganised state. That is one reason why the people who are engaged in the handloom industry are not in a position as other people are to find markets for their goods. Consequently the price of the handloom products, by the time it gets to the consumers, is very much enhanced.

14319. *Q.* What I am anxious to know is this. Supposing a duty is imposed upon the finer counts of yarn (because in a number of places in Madras finer counts of yarn are used for weaving), would it not affect the handloom industry ?

A. (*Mr. Menon*) It depends upon what duty you impose.

14320. *Q.* Take 10 per cent.

A. (*Mr. Menon.*) That would be a big jump.

14321. *Q.* 5 per cent. ?

A. (*Mr. Menon.*) A small percentage may not affect say 2½ per cent.

14322. *Q.* A duty of 5 per cent. if levied, would affect the handloom industry. Is that so ?

A. (*Mr. Menon.*) 2½ or 5 per cent. for the sake of revenue may not affect, because we have been paying higher prices for the last 4 years for all counts of cloths and people have been habituated during the last four years to paying higher prices.

14323. *Mr. Doraswami Ayyangar.*—I should like to go into the question a little more closely. Your suggestion is that a protective duty should be imposed upon finer counts of yarn imported into this country.

14324. *Q.* I will put it this way. Suppose a tariff duty is levied. Would it affect the handloom industry ?

A. It will have no effect, I think.

14325. *Q.* Why do you think so ? At present don't you think that the handloom industry is not in a flourishing condition ? I do not think they are deriving much profits.

A. No.

14326. *Q.* If a duty is levied upon yarn which they purchase for the purpose of converting into goods, would not that enhance the price of their goods ?

A. I understand that you are contemplating this duty on the higher counts of yarn ?

14327. *Q.* Take all counts first. If there is a duty on all imports of yarn, surely it will have its effect on the handloom industry.

A. It will have the effect of helping the handloom industry up to 40s; beyond that it will have no effect, because we are not spinning by hand yarn above 40s.

14328. *Q.* In some cases they spin 60s and 80s.

A. Those are rare cases.

14329. *Q.* Do you then say that import duty on yarn below 20 counts would help handloom industry?

A. Below 20 it will decidedly help.

14330. *Q.* How would it help?

A. My own idea is that so far as I have gathered the figures of imports of yarn below 20s do not count at all now. Practically we are not importing yarn of 20s and below. All this comes out of the handloom or the spinning mills in this country.

14331. *Q.* You say that hand spun yarn up to 20s is being largely used in the handloom industries. Now as between the handloom industry and the powerloom in this country is there not likely to be a conflict?

A. Yes, there is likely to be.

14332. *Q.* Mills cannot spin yarn beyond 50 counts and you will have to depend upon foreign yarn for any count beyond 50 or 60.

A. I accept that with some reservation. For I find from the statistics that gradually mills have been producing higher and higher counts.

14333. *Q.* Certainly not beyond 60s, because they say that the atmosphere is not favourable for it.

A. The monthly returns of the mills in this country show that yarn of even 100 counts are being spun in this country.

14334. *Mr. Narottam Morarjee.*—I think you said your mill does not spin more than 60 counts.

A. It did. At present we do not spin.

14335. *Mr. Seshagiri Ayyar.*—Is there any mill here which produces more than 60 counts?

A. There may be a few.

14336. *Q.* Do you say that the hand spinners would be content with counts below 20?

A. Generally.

14337. *Q.* You say that mills will take to spinning beyond 20.

A. I say that they have a limit of 60 beyond which they do not spin.

14338. *Q.* Therefore the handloom industry will have to depend upon foreign yarn beyond 60 counts.

A. It depends upon climatic conditions. The climatic conditions in this country are so varied that we can take to spinning any counts under favourable conditions. For instance we can start half a dozen mills in Bangalore.

14339. *Mr. Mant.*—In reply to Sir Montagu Webb you explained that you think it necessary to impose restrictions on foreign firms establishing themselves in this country. I do not want to tread the same ground or re-open the question. But assuming that the policy were accepted, I want to know how you propose to carry it out. You wish to ensure a reasonable share of Indian capital, control and profits to Indian enterprise. Taking capital first, I would like to know exactly what you propose to do. Do you propose that a certain share of the capital of the joint-stock companies that may be floated should be open to subscription in this country?

A. Yes.

14340. *Q.* When you say Indian enterprise, you merely mean that capital should be subscribed in India?

A. It should be left open to Indians to subscribe in the first instance and there should be a statutory restriction upon a certain proportion of the shares not being transferred to other than Indian hands.

14341. *Q.* Would you prescribe that a certain proportion of the shares should be solely in Indian hands?

A. Yes.

14342. *Q.* Would you allow them to be sold subsequently or would you prescribe that the company must always have a certain proportion of shares held by persons of Indian domicile?

A. I will go to that length. That is, I would not only expect that a certain proportion of the shares should be offered to Indians in the first instance, but subsequently I would also urge that restrictions should be placed in the way of these shares being transferred to other than Indians beyond a certain limit.

14343. *Q.* Then you would have two sets of shares in the same company?

A. Yes, two different sets at two different prices.

14344. *Q.* Would not there be any difficulty in floating such companies?

A. I am prepared to be generous enough to say that I would admit others also to share with you.

14345. *Q.* I am not raising any question of policy. I am considering the practical application of the policy. Would not there be difficulty if the company should have two sets of shares and probably two sets of prices?

A. I do not expect any serious difficulty in working the companies under those conditions.

14346. *Q.* Then coming to the question of control, what do you mean that a certain proportion of the Directors should be of Indian domicile?

A. Just as we have in the case of the Imperial Bank two or three of the directors must be Indians.

14347. *Q.* Then you mean the directorate?

A. Yes.

14348. *Q.* In regard to profits what exactly do you mean by that?

A. If these are ensured the profits should follow.

14349. *Q.* Then you need not mention that separately. It is the same thing as capital?

A. If the proportion of share-holders and a reasonable share in the management are ensured, the profit naturally follows.

14350. *Q.* Do you think that this restriction which you propose will encourage the inflow of foreign capital into India?

A. It must; if foreign capital comes to this country it is because it is able to find scope for investment. It is not for charity that it comes but for profit. And as long as it is profitable I do not see why foreign capital would not come in.

14351. *Q.* What I want to know is whether the present flow of capital will continue under the restrictions you propose.

A. I have no apprehensions on that account.

14352. *Q.* With reference to the question in which Mr. Seshagiri Aiyar touched on the policy of America, it was said that the American Constitution prevented the imposition of export duties. Do you know why that provision was introduced in the Constitution?

A. I am not definitely aware of anything; my impressions are only general.

14353. *Q.* I understand that it was introduced by the agricultural interests of the Southern States who were afraid that they might not be strong enough to be able to stand against the industrial interests of the other parts of the country. Does not that indicate that the agriculturists of America were very apprehensive that they would be injured by export duties?

A. Just possible. It so happens, I recollect from a little study I have made of the progress of protection of America, France and Germany that different interests at different periods have been working for protection. It is just possible that similar things might happen in this country also. But the ultimate aim is clear and we will adjust those things to ensure that aim being realised.

14354. *Q.* Are you aware that there is no such provision in the Constitution of the Argentine?

A. I have no idea.

14355. *Q.* In spite of the absence of the provision, neither of those countries put any restriction on their exports on raw materials?

A. I have no idea.

14356. *Q.* I am asking these questions because I want to ask you whether you have not underrated the damage that your proposal will cause to the agriculturists in this country?

A. I do not quite follow the drift.

14357. *Q.* The point is this. There are other highly protectionist countries, as Sir Montagu Webb pointed out, which do not impose export duties on raw materials. The obvious conclusion is that they consider that it would be detrimental to the large agricultural interests in the country to adopt such a policy. You recommend that policy for India. I ask you whether it would not be equally detrimental to the agricultural interests in this country?

A. It might be under one set of conditions.

14358. *Q.* Under present conditions?

A. Wherever there is a surplus which we can export and wherever we can transform those articles into manufactured articles I should not hesitate to ask for protection and the agriculturists would not be injured.

14359. *Q.* Is that your view?

A. Yes.

14360. *Q.* In regard to organisation, you propose a permanent organisation to investigate the claims of particular industries for protection and you say that membership should be on an elective basis. What exactly do you mean by that? Do you propose that they should be elected from the Legislative Council?

A. Of course, it is a difficult question to define the franchise. My point is this. This Commission should consist of members who are really representatives from time to time of the various interests affected. I said on an

tlective basis because we could by some arrangement get ehe predominant interests to send up their representatives to this Commission and in case they feel at any time that their interests are not properly served by their elected representatives it should be open to turn the representatives out and put in men who would really represent them.

14361. *Q.* Do you mean a separate franchise on each occasion?

A. We would leave it to the responsible associations that look after the interests. For instance in considering questions affecting the tanning industry we would ask the tanning association to send two or three repesentatives to represent their interests on th Commission.

14362. *Q.* What do you mean by elective basis? Do you mean that Government should invite particular associations to elect their representatives?

A. Yes, as they do in the case of cotton committees.

14363. *Mr. Jamnadas Dwarkadas.*—There are three or four points on which I should like to put you some questions. Take first the question raised by Mr. Seshagiri Aiyar about the import duty on yarn. I understand that your view is that the Madras handloom weavers use counts below 40s which are spun in Indian mills or spun by hand. Isn't that so?

A. And also imported yarn to some extent.

14364. *Q.* What is the proportion of imported yarn to mill made yarn?

A. I cannot give the proportion at once, but I would say that considerable quantities of Japanese 20s come into the Madras market. At the same time I find that 20s from Bombay and other places also come in. 20s are also manufactured locally. But I cannot give the proportion.

14365. *Q.* Don't you get much English yarn below 40s?

A. No.

14366. *Q.* The imported yarn comes from Japan?

A. Yes.

14367. *Q.* If we impose an import duty, don't you think that it would encourage the local cotton spinning a great deal? I should think so and that would be a desirable thing.

A. Yes.

14368. *Q.* Would you therefore favour import duty and not favour exemption?

A. I would favour the import duty, because I am anxious that we should spin as much yarn as we can to supply our handlooms and they should weave as much cloth as they could to clothe the people of this country.

14369. *Q.* With reference to the conflict that will take place between the mills and the handlooms, you gave us a very interesting answer. You said that the hand spun yarn of finer counts would be available for the mills to weave finer cloth and that the mill made yarn of lower counts would be available for the handlooms. So there would be an exchange of commodities and so the balance will be secured, and therefore there will be no danger of conflict.

A. Yes.

14370. *Q.* In that case an import duty on higher counts would be a desirable thing, would it not?

A. Yes, I think so.

14371. *Q.* On the whole it would encourage both spinning and weaving industry in the country.

A. Yes.

14372. *Q.* You say that it should be a condition precedent to the establishment of foreign firms that we should have a share in the control, profits and capital.

A. Yes.

14373. *Q.* In course of time you are going to have responsible Government. If a foreign firm is established in India they will have to depend a good deal upon the Indian legislators, won't they?

A. True.

14374. *Q.* Secondly, the labour will be entirely Indian, will it not?

A. Yes.

14375. *Q.* In order that the skilled labour may be cheap they will have to ask for facilities for technical education in India.

A. Yes.

14376. *Q.* All that will be a great gain to India, will it not?

A. I agree.

14377. *Q.* In that case would you still insist on preventing foreign capital

A. I do not object to the establishing of foreign firms. I do want them. Only I want them under certain conditions.

14378. *Q.* Do you think that it will be necessary to impose any conditions?

A. I think so. My reason for that is this, it was not easy even for the Government of India to oust the German firms in this country which had established wolfram industry in Burma. Instead of allowing foreigners to come in and then ask for protection as against them, I would rather allow them at the outset under certain conditions only.

14379. *Q.* Suppose this policy you advocate would stop foreign capital from establishing itself in India. Don't you think that it will be a disadvantage to the industrial growth of the country?

A. Foreign capital is anxious for investment and therefore it will surely come in.

14380. *Q.* You advocate export duty on raw materials in order to encourage manufactures here. Now would you at the same time also advocate import duty on finished articles out of those raw materials?

A. Yes, it follows.

14381. *Q.* What form of protection would you prefer, an export duty on raw materials which is likely to hurt the interests of the cultivators or an import duty on finished products?

A. I would have an export duty in such a way as to help the industry without injuring the agriculturist and if necessary an import duty also. (*Mr. Menon*) The export duties should be judiciously imposed.

14382. *Q.* If it is possible to protect some industry by having an import duty on the finished or the manufactured article would you prefer the import duty or the export duty?

A. (*Mr. Menon*) Either. We do not want to be hard on the consumers.

14383. *Q.* With regard to the permanent organisation, I understood you to suggest that the constitution should be such as to include all elected representatives on the Commission. I believe this Commission will have only advisory functions?

A. Yes.

14384. *Q.* In that case, would you insist on the elective system?

A. I would.

14385. *Q.* Would you not trust nominated representatives?

A. No. To speak frankly, I would not trust those who come in by Government nominations.

14386. *Sir Maneckjee Dadabhoy.*—*Q.* You talk of industries required for national safety in times of war. I would like you to enumerate those industries.

A. First and foremost I would place munitions.

14387. *Q.* Iron and steel industry?

A. Yes.

14388. *Q.* Would you give protection to the iron and steel industry?

A. Yes.

14389. *Q.* Would you protect them against foreign industry?

A. Yes.

14390. *Q.* Any other articles under this classification?

A. Yes. Chemicals.

14391. *Q.* You think they are very necessary?

A. Yes.

14392. *Q.* These are the only essentials, I believe.

A. I would add textiles to a certain extent as they are necessary for war purposes. They would also come under this category.

14393. *Q.* As regards foreign capital, you would differentiate. You want to give preference to Indian capital. Will you please explain the term "foreign capital"? Do you mean by it capital from outside the Empire or outside India?

A. I would classify the capital as Indian and non-Indian.

14394. *Q.* You want, that the management of new companies that may be formed should be extensively in the hands of Indians either by legislation or some other method. You also say that you are not apprehensive on the score that foreigners may not invest their capital in this country. They are dying to invest their money, and they would come to take advantage of the protective tariff. I want just to dilate on this subject to make your position clear. When you refer to foreign capital in new companies, are you referring to joint-stock companies?

A. Yes.

14395. *Q.* In a joint-stock company the management would depend on the larger number of shares that are held by the parties, would it not?

A. Not always. I do not think so.

14396. *Q.* You do not think that to get the management would depend on the control you get in the shares?

A. It is easy to take the management out of the hands of the bulk of the shareholders.

14397. *Q.* Do you mean to say that anybody can assume management by taking it out of the hands of the bulk of the shareholders?

A. I am referring to the way in which the managing agents are formed. As companies are being formed it is possible to so shape the managing agency as to take the management away from the control of the shareholders.

14398. *Q.* How is it possible? That is what I want to know. I always thought that the management is decided by the preponderance of the shares that you hold. If an Indian company starts you will get the managing agency. If a European company want to keep the managing agency in their hands they cannot get it unless they take a very large number of shares.

A. You think that it will always be possible for the bulk of the shareholders to determine the management. I am afraid that it is not, because when the company is being formed you can form the managing agency under certain terms and conditions. These may be such as to have things just as the managing agents please for a long period, much longer than the shareholders can see at the time, and so the result will be that for a long period the shareholders will be nowhere and the managing agents will manage the whole thing. So you should have control over the management.

14399. *Q.* Then it follows that in endeavouring to put your scheme into operation the Indians who hold shares will not be able to sell them again to foreigners.

A. Yes.

14400. *Q.* If they are prevented from selling the shares to Europeans, what will be the effect of such a prohibition on the value of the shares?

A. Ultimately it will have a very good effect.

14401. *Q.* Will it depreciate the value of the shares or not?

A. Immediately it will depreciate the value of the shares.

14402. *Q.* Do you think any Indian would part with his shares at a discount when he is in a position to sell at a premium?

A. I should expect the capitalist Indian to look far ahead.

14403. *Q.* I sympathise with you there, but I want a workable scheme from you. Do you think that there will be patriotic Indians who will sell their shares at a discount to Indians in preference to Europeans who may offer more?

A. Considering the capital available for investment in this country, considering that we have 230 millions of people in this country who, I expect, will grow more and more rich under this protection, and considering that there will be capital increasing from year to year and awaiting investment, surely by restricting it to Indians, though for a time the shareholders may be at a disadvantage, yet ultimately they will not be at a disadvantage. On the other hand I should think it will be at a decided advantage.

14404. *Q.* In this practical world we do not look to ideals. We only look to pounds, shillings and pence.

A. I take it that this Commission is for settling certain ideals.

14405. *Q.* Coming to the export duty on oilseeds, I understood you to say that the wholesale export of oilseeds does not give a chance to our starting manufacturing industries. Is it so?

A. Yes.

14406. *Q.* You therefore want to put an export duty on oilseeds?

A. Yes.

14407. *Q.* What effect will it have on the value of oilseeds?

A. The value will go down.

14408. *Q.* Will that be any danger to the agriculturist?

A. To a certain extent it will be on account of the reduction in price.

14409. *Q.* Take the case of cotton. Suppose I am a grower of cotton. After ginning my cotton I export the oilseeds. I get a good price for my oilseeds because I allow them to be exported to foreign countries who make them into other sorts of stuffs which I am not able to do in this country. You want to put on an export duty on the chance of creating manufacturing industries in this country. As an agriculturist will I be happy with this state of affairs?

A. You won't be in the beginning.

14410. *Q.* Will I be happy ultimately?

A. Once these manufacturing industries are started, they will consume all these raw materials, and thereby the agriculturist will get eventually the price which he would get outside. (*Mr. Menon*) In the case of oilseeds the agriculturist will be helped in this way. Our yield of groundnuts is about 40 lakhs of bags of kernals of which 75 per cent. is exported. With regard to gingelly the present yield is about 10 lakhs of bags which are all grown in the Circars and are mostly consumed locally. Out of this 10 lakhs of bags, which give about 5 lakhs of bags of seed, containing about one-third candy of cakes, half is consumed in the country and the other half is exported to Colombo and Java, and so only 2½ lakhs of bags of cake are retained for manure. If we retain the whole of this production of groundnut and gingelly cakes in the country it will revolutionise the agricultural industry, and will be a great help to the agriculturists.

14411. *Q.* But it will probably be a very indefinite period. I have not the slightest doubt that you have got a large volume of oilseeds trade. The production is enormous. We are not in a position to retain all this in the country at present, and if we put a heavy export duty the people who are buying their oilseeds from India will buy them from other countries, and the result will be that India will suffer.

A. (*Mr. Menon*) It will be so to some extent, in the beginning, but as more people come into the oil business and more cake is retained in the country the more advantageous it will be to the agriculturists.

14412. *Q.* Only if we can do it.

A. (*Mr. Menon*) We should try no doubt to help the agriculturists in that way. (Mr. Doraswamy Iyengar) If you will allow me to have a say, I do not think it will be an indefinite period, as you seem to think. It may be a long period, I admit, but it won't be an indefinite period. On the other hand, I would venture to put this question. Even assuming that it is going to be a long period, is it your desire, Sir, that we should be in the same state, that we should continue to be agriculturist producing raw materials for others, or should we have a change, and, if so, under what conditions are we going to have it?

14413. *Q.* Could not that change be had by starting oil mills ourselves in this country?

A. The oil mills won't start unless they are assured of the value of the investment in that industry. The position comes to this. We won't have mills until we get protection, and you won't give protection until we start mills. We get into a sort of ring.

14414. *Q.* You are in favour of an import duty on yarn, because it is your considered opinion that it will not affect the industry, but on the other hand it will encourage the industry. There is at present a revenue duty on cloth, and there is no revenue duty on yarn. Spinning and weaving are kindred industries, and putting a duty on one article and not putting a corresponding duty on the other article would be an injustice to the other. Is it fair to the spinning industry that there should be a 11 per cent. protection to the weaving and not to the spinning industry? Is there any logical distinction between the two?

A. I do not know where you are driving me to. What I said was that I should not object to a protective duty on yarn because it will increase the production of yarn. At the same time I say that it will not interfere with the weaving industry because there is room enough, there are 300 millions to be clothed. I do not follow your further question.

14415. *Q.* What duty on yarn would you recommend?

A. I would graduate it according to the counts, the idea being to encourage the spinning industry.

14416. *Q.* I want to ask a few questions about tobacco which you are growing in this country. Do you know anything about tobacco?

A. If it is a general question I can answer.

14417. *Q.* You grow tobacco in Madras?

A. Yes.

14418. *Q.* Have you any opinion regarding the excise duty on tobacco?

A. We have not considered it.

14419. *Q.* Carrying your arguments to their logical conclusion I suppose you would naturally exclude firms from the Dominions who object to Indian immigration, would you not?

A. Surely I would exclude them.

14420. *Q.* In your remarks under the heading "Tariffs and Bargaining" you say "We are not, however, for discriminative tariffs and prefer to have a simple tariff

for all, subject to our being free to retaliate where we are hit." Will you please explain what you mean by saying that you would prefer to have a simple tariff for all?

A. Having gone in for a protective tariff we won't discriminate one country from another or one interest from another. We won't have sub-divisions of it. We will have a broad general protective tariff against all. If you will allow me, Sir, I want to say a few more words. It seems to me that of all industries the shipping industry is one that deserves the greatest encouragement in this country. The present conditions in Madras would illustrate the utter non-association of Indians so far as the shipping trade goes. The shipping is entirely foreign-owned and the merchants are at the mercy of the shippers. This is an industry which would illustrate the difficulty of present conditions, and it would illustrate also the necessity for special protective aid being given with a view to secure the advancement of industries generally in this country. On that and on the proper railway policy (a policy of encouraging and aiding industries and not merely assisting the transport of goods outside the country) depends really the industrial development of the country. This is by way of general observations. It has not found a place in our written answers and I wish to submit it.

Witness No. 97.

The Madras Trades Association, No. 11, Narasingapuram St., Mount Road, Madras, S.C.

Written statement, dated the 19th January 1922.

14421. *Q.* 1. We favour free trade and consider that customs duties should be levied for revenue purposes only, and that the rates of duty now in force should not be exceeded.

14422. *Q.* 2. We consider that revenue should be obtained partly by an import tariff, partly by excise and partly by direct taxation, but that the present import tariff is as a whole too high, and that further necessary revenue which cannot be raised by excise should be obtained not by an increase in all the present items of direct taxation but by an increase in those items which are the most widely spread and therefore the least felt by individuals.

14423. *Q.* 3. The list of articles is already as full as it can well be, but we consider that the rates might be reduced with advantage to trade and to the consumer.

14424. *Q.* 4. We consider that agricultural produce, and machinery of all kinds, should be admitted at low rates or that it should be free, except where excise duties are levied, in which cases the customs duty should not be less than the excise.

14425. *Q.* 5. As regards industries as apart from trade, we do not think that the present system has had very much effect, but we are sure that the scale of high duties in force since March 1921 has had an adverse effect upon trade and upon the general prosperity of the inhabitants of the country.

14426. *Q.* 6. If the customs duties are kept low, we consider that an excise duty is not necessary, while if the present duties cannot be otherwise reduced we consider that Government might levy excise on particular commodities for revenue purposes only, *e.g.*, Sugar, Jute, Tea, etc.

14427. *Q.* 7. No. we think that excise duties should be levied for revenue purposes only but we see no objection to the excise duty being levied at a lower rate than the customs duty when the latter is a small one, in fact we would favour this provided the necessary revenue is obtained.

14428. *Q.* 8. No duties of any skind—customs or excise—can be levied without raising the price to the consumer.

14429. *Q.* 9. No. The tariff should be framed solely with the object of obtaining revenue. Instead of protection by tariff we consider that Government should protect and develop Indian Industry by the purchase, wherever possible, of goods made in India in preference to obtaining them from abroad.

14430. *Q.* 10. Yes. We think that in time India will be in a self-supporting position with regard to many of her manufactured requirements, but to obtain this end it will be necessary for Government to support rigorously its scheme to foster and encourage Indian enterprise and industry. Preference should be given to Indian made goods in placing orders and encouragements should also be given to British Capitalists to open up works in India. Government should take steps to educate workmen to a higher sense of responsibility in their duties and to attain a greater degree of skill and concentration in their work.

14431. *Q.* 11. The present duties are already sufficiently high and we are against any further increase. Indian production should be developed to put goods on the market at competitive rates. To impose further taxation on foreign goods is not necessary, and we consider that it would be unwise to endeavour to foster Indian industries by a policy which would tend to destory the competitive instinct.

14432. *Q.* 17. If a protective tariff be imposed it is almost certain that trusts or combinations would be formed.

14433. *Q.* 18. Yes. This would naturally follow, and the opening up of works by British Firms would be a benefit to India, but we consider that this should arise from a Government policy of placing orders in India and not from a protective tariff.

14434. *Q.* 19. Conflicts of interest of the nature indicated would be certain to occur, and would probably be difficult to adjust, but no doubt the difficulties would not be insuperable.

14435. *Q.* 20. There is no doubt that the whole of any increase in duty is added to the price.

14436. *Q.* 21. We consider that in practice the increase represented by the duty would be permanent, because although in course of time the cost of goods manufactured in India might be lessened similar reductions in cost would in all probability be obtained by the foreign manufacturer and he would still compete in the Indian market on the same terms as at the beginning of the duty.

14437. *Q.* 22. We consider that the prosperity of India will be best fostered by a plentiful supply of goods at low prices either imported or home produced and we cannot see that any restriction of demand, which from our experience we know results from high prices, will add to the prosperity of the inhabitants as a whole. The only exceptions we would make to this would be necessaries of life such as manufactures upon which the country might have to depend in time of War, when considerations of self-defence would outweigh all other matters.

14438. *Q.* 23. Answered by No. 22.

14439. *Q.* 24. The increase in prices which have occurred during the last few years have actually been met by increased wages, both by the Government and by private employers and this procedure would no doubt be followed if further rises in prices take place. This accentuates the evil of high prices because traders are bound to pass on the increase to consumers. If the cost became so high that the demand fell off there would be reduced employment and the wage earner would be the principal sufferer.

14440. *Q.* 25. We consider that any effective policy of protection would have an adverse effect on India's foreign trade in general.

14441. *Q.* 26 & 27. No.

14442. *Q.* 29. Yes. There should be a permanent council including the Directors of Industries, Collectors of Customs and elected members representing the chief business associations. The diverse conditions of the various provinces would need to be considered.

14443. *Q.* 30. Export duty should in our opinion be levied for revenue only.

14444. *Q.* 31. We consider that in the case of commodities in the production of which India has practically a monopoly, for example Jute and Tea a small export duty possibly levied in conjunction with an

excise duty would do no harm. It is only in similar cases that we consider an export duty to be satisfactory and then only when it is absolutely necessary to obtain a revenue. Where excise duties are levied on goods in which India has to compete in foreign markets on more or less equal terms then a drawback should be given when such goods are exported.

14445. *Q.* 32. Generally speaking no.

14446. *Q.* 33. We do not consider that it would be advantageous to India to impose export duties on foodstuffs. Such duties would tend to restrict production. In cases where it is necessary to retain foodstuffs in India Government should entirely prohibit or control export.

14447. *Q.* 34. No. We consider this would be a dangerous policy.

14448. *Q.* 35 to 42. We would favour Empire preference if it were possible to give it with duties not higher than the present tariff.

14449. *Q.* 43. Certain of our members are interested in the manufacture of cigars; of surveying and scientific instruments; jewellery, silver and electroplate goods; and in printing and light engineering works.

14450. *Q.* 44. The principal advantages arise from proximity to source of supply of the raw materials used.

14451. *Q.* 45. We consider them to be of substantial importance.

14452. *Q.* 46. Organisation and equipment are not at so high a standard as in Europe but they are improving and we consider that if Government places its orders in India the improvement will be rapid.

14453. *Q.* 47. Indian cigars are used all over the world. Surveying and scientific instruments are sold throughout the east principally to Government Departments, Municipalities, Railways, etc., and Engineering Institutions. Printing work is chiefly for local use but educational books are printed here and exported.

14454. *Q.* 48. Foreign competition in the Indian market and elsewhere is very great in most class of goods but we think it would be considerably reduced in the Indian market if Indian industries received fair treatment in the placing of Government orders.

Indian cigars do not meet with very much competition in the South Indian market but they do in other parts of India and elsewhere.

Printing work for Indian consumers meets with some competition from Europe.

14455. *Q.* 49. No, except that Coal and Steel are cheaper in Europe and in the United States, individual workmen are very much more efficient, and labour viewed as a whole is more reliable.

14456. *Q.* 50. We do not consider that our industries need protection by tariff but we do consider that the inherent belief of Government Departments that efficient and well finished goods cannot be made in India should be dispelled.

14457. *Q.* 51. See replies to Questions 43 to 50.

14458. *Q.* 52 to 55. We have not experienced any "dumping."

14459. *Q.* 56. Where the manufacturer uses raw materials which are wholly obtained from India it is probable that the particular industry has been stimulated, but where as is usually the case the industry uses some materials which have to be imported as well as Indian materials the effect has been adverse.

14460. *Q.* 57. Not the industries with which we are concerned.

14461. *Q.* 58. No.

14462. *Q.* 59. The only industry affected by this Question is printing. Paper manufactured in India is used to a small extent.

14463. *Q.* 60. Questions of revenue should be paramount, not protection.

14464. *Q.* 61. Certain of our members export cigars to all parts of the world principally to the United Kingdom, Mediterranean countries, British Africa, Australia, Canada etc., and certain surveying instruments are exported to Ceylon, Straits Settlements, etc.

14465. *Q.* 62. No.

14466. *Q.* 63. If not required for revenue we think that export duties should be abandoned as they hamper production and trade.

14467. *Q.* 64. The trade in cigars is hampered by import duties in certain countries but these duties are levied principally for revenue and not for protection.

14468. *Q.* 65 & 66. The experience gained by the preferential treatment of cigars exported to the United Kingdom has not been favourable, but this may be because the rate of preferential duty was still higher than the duty in force before the granting of the preference.

14469. *Q.* 67. No.

14470. *Q.* 68. The rate of exchange mightbe affected so that the foreign country could not purchase Indian goods at competitive rates.

14471. *Q.* 69. No.

14472. *Q.* 70. Our members are interested in the import of food and drink, wearing apparel, general hardware, paper, Motor cars, etc. The principal imports are from the United Kingdom and the United States.

14473. *Q.* 71. The effect of the increase which took place in the year 1916 cannot be distinguished from the effects arising from the war but the increased duty levied in March 1921 has already had a very adverse effect upon trade.

14474. *Q.* 72. Yes, we consider that any further increase will diminish trade.

14475. *Q.* 73. We would favour the maintenance of the existing rate for foreign goods combined with a reduction for British goods. So far as the rate for British goods is reduced we consider it would tend to improve trade not only by the diversion of trade from foreign countries to the United Kingdom but also by an increase in the total imports.

14476. *Q.* 74. We think the same preference should be given to all parts of the Empire.

14477. *Q.* 75. See answer to Question 73.

14478. *Q.* 76. No, except in the circumstances referred in answer No. 68.

14479. *Q.* 77. We consider that everything should be included. We would suggest that one-third of the present duty might be the preferential allowance.

14480. *Q.* 78. We consider that as a rule *ad valorem* duties would be preferable. We would in most cases have no objection to specific duties.

14481. *Q.* 79. Practically all our trade is in goods imported into India either as finished goods or as raw material. See answer to Question 70.

14482. *Q.* 80. See answer to 71 and 72.

14483. *Q.* 81 & 82. Individual members will endeavour to submit figures.

14484. *Q.* 83. See answer to Question No. 73.

Messrs. LUKER, NICHOLSON and SMITH on behalf of the Madras Trades Association.

Oral evidence, dated Madras, the 1st February 1922.

(The answers were generally given by Mr. Nicholson. Names have been indicated whenever answers have been given by the other two gentlemen.)

14485. *President.*—*Q.* Gentlemen, you appear here as the representatives of the Madras Trades Association?

A. Yes.

14486. *Q.* You are interested in the manufacture of cigars, of surveying and scientific instruments, jewellery, silver and electroplate goods, and printing and light engineering works?

A. These are not the principal part of our business. We are interested in those manufacturer in addition to trade.

14487. *Q.* You are also interested in the import of food and drink, wearing apparel, general hardware, paper, motor cars, etc.?

A. Yes.

14488. *Q.* You are in favour of free trade?

A. Yes.

14489. *Q.* You recommend free trade as being the best policy in the interests of India?

A. Yes.

14490. *Q.* Do you believe in the development of industries as being conducive to the economic welfare of the country?

A. Certainly.

14491. *Q.* Can you name any country in the civilised world which has developed its industries on free trade principles?

A. I think the United Kingdom is an example.

14492. *Q.* Would it be news to you to learn that the United Kingdom established and developed its industries on protective principles before it adopted free trade?

A. England established a great many more industries under free trade.

14493. *Q.* But its initial stages of industrial development were through protection?

A. It developed not because of protection.

14494. *Q.* It had a protective policy?

A. It may have had a protective policy.

14495. *Q.* Therefore if England established industries by starting on the principles of protection (and you could name no other country which has established its industries on free trade principles), do you think there are any special conditions prevailing in India which would make it an exception to the general rule and help us to establish industries under free trade principles?

A. I do not think that protection would help India.

14496. *Q.* That was not my question. My question is: Are there any special conditions attaching to India which would make it an exception to the rest of the world in regard to its fiscal policy in establishing industries?

A. I do not think India would be an exception.

14497. *Q.* In spite of the fact that every civilised country established its industries by protection you would still not allow protection to India?

A. I do not admit that it is a fact.

14498. *Q.* But if it was a fact then the same policy would be good for India which has been good for other countries?

A. Yes.

14499. *Q.* In your answer to Question 5 do you refer to the revised tariff rates which were imposed in April 1921?

A. We are speaking from our own point of view.

14500. *Q.* You make two statements here. You say that the duties have had an adverse effect upon trade. I am not going to question you about that. You go on to say that it has had an adverse effect upon the general prosperity of the inhabitants of the country. That means the whole of India and not your trade alone, and I should like you to explain on what grounds you base your assertion.

A. The principal reason is that the general cost of living has increased by the raising of the tariff.

14501. *Q.* Has there not been a very severe trade slump during the year?

A. To some extent, but in my opinion the tariff also had something to do with it.

14502. *Q.* Has not the fall in prices been considerably greater than the increased duties?

A. Speaking generally, I do not think it is so.

14503. *Q.* You do not think that the slump in prices has been greater than the increase in the import duties?

A. So far as the commodities with which we deal are concerned it can be considered that the price has risen.

14504. *Q.* You think that the slump in prices has adversely affected the prosperity of the inhabitants of the whole of the country?

A. I think that is the tendency.

14505. *Q.* In your answer to Question 9 you are suggesting some form of protection, in spite of your free trade views. You say that Government should protect and develop Indian industries by the purchase, wherever possible, of goods made in India in preference to obtaining them from abroad. Then you advocate that policy with a view to protect and develop Indian industries?

A. We recommend that policy not with the idea that Government should pay more money for an article. We recommend that only when the price is the same and the quality is equal. We consider that Government should not go out and purchase goods when the same goods are manufactured in India and can be got at the same price.

14506. *Q.* Do you mean to say that the Government of India goes out to foreign countries for the purpose of purchase even when they could get goods of the same quality manufactured in India at the same price? If you can, will you give us some instances? That is very important for us.

A. (*Mr. Smith.*) In the matter of scientific instruments this has occurred. Levels, compasses, and articles like that, have been imported from England at a higher rate than we could manufacture in our works in Madras. We can manufacture Levels to-day at a little more than half the price at which I am told they are being imported by Government at the present time. There is an idea amongst the heads of departments in India that nothing good could be produced in India. We can prove that we can produce levels equal to those produced in England. The Chief Engineer, Madras Public Works, has stated that our levels are equal to anything imported by the Public Works Department, and yet orders are being sent to England now for levels for Government Departments. They can be manufactured here in Madras at little more than half the price of the imported article.

14507. *Mr. Seshagiri Ayyar.*—*Q.* I want to know whether you tendered and whether you were rejected.

A. We have not been allowed to tender. All orders are sent direct over our heads.

14508. *President.*—*Q.* Are the Government of India aware that you could manufacture these articles at the prices quoted by you? Have they the knowledge that you could manufacture them and did they in spite of that send orders to England for articles at practically double the prices?

A. Yes. It is so.

14509. *Q.* What is the name of the firm you refer to?

A. P. Orr and Sons.

14510. *President.*—*Q.* In answer to Questions 35 to 42, you say "We would favour Imperial preference if it were possible to give it with duties not higher than the present tariff" and again in answer to Questions 65 and 66 you say "that the experience gained by the preferential treatment of cigars exported to the United Kingdom has not been favourable." Will you please tell me what you mean by that?

A. The questions are, of course, quite different. I shall deal with the latter first. The United Kingdom levied increased duty for revenue purposes and also gave preferential treatment to the Colonies but the duty after giving the preference was still higher than the previous duty before the increase was put on and for that reason the imports from the Colonies to the United Kingdom had not increased.

14511. *Q.* Could you give any figures to support that view?

A. I cannot give you specific figures.

14512. *Q.* Could you give me the figures of the two duties? What was the duty when the increase took place?

A. The duty as far as I remember was £0-16-1 per lb. including a fine of 6*d.* per lb. and a preference of one-sixth was given.

14513. *Q.* To what was it raised?

A. An *ad valorem* duty was put on in addition. I think 33⅓ per cent. *ad valorem* in addition to the £0-16-1 per lb. and preference was given on the whole to the extent of one-sixth.

14514. *Q.* To the Dominions and to India?

A. Yes.

14515. *Mr. Mant.*—*Q.* The *ad valorem* duty has been withdrawn.

A. They have found that the imposition of the increased duty had the effect of excluding cigars not only from foreign countries but from the Colonies as well and they have removed.

14516. *President.*—*Q.* Could you give me figures?

A. I can give you figures as to the output of the cigars in the factories of particular firms not for this period which we are dealing with here but for another period. In the year 1919 the price of matured Indian tobacco was practically doubled by the agriculturists or by the broker who handled it afterwards. The price to the manufacturer was nearly doubled. As a consequence we had to raise the prices of cigars. That was done in February

1920. Now if we take the average monthly sales from January 1918 to February 1920, which is practically for two years, to be 100 as a basis figure, the corresponding figure from March 1920 to June 1921 would be 35. I put that forward as an instance of the adverse effect of high prices.

14517. *Q.* But here we were dealing with Imperial preference. You say that preference has been of no value to you.

A. We are not speaking now as a firm importing from abroad into the United Kingdom. We export cigars from India to the United Kingdom. The increased duty with the preference given at the same time has been adverse to us as exporters of Indian cigars to England.

14518. *Q.* That was what I wanted to know. Will you please tell me on what ground you base your replies to Questions 35 to 42. You say that "we favour Empire preference if it were possible to give it with duties not higher than the present tariff." You have not given your reasons as to why you favour Empire Preference holding free trade views. How can there be preference.

A. We don't ask for preference. With present duties we would prefer lower duties on British goods.

14519. *Q.* That would be giving preference.

A. We have no objection to preference but we do object to protection.

14520. *Q.* If you have got revenue duties they ought to be levied uniformly?

A. Certainly.

14521. *Q.* How could preference be given?

A. It could be done only by reducing the revenue.

14522. *Q.* Would it be advantageous to India?

A. That would depend on what revenue is required. If it is possible to reduce the taxes reduction should be made but you should not increase the taxes with the idea of protecting industries.

14523. *Q.* My question was how could you favour Empire preference holding free trade views?

A. We don't advocate Imperial preference.

14524. *Q.* You say you favour Empire preference?

A. We have no objection to it.

14525. *Q.* You don't advocate it.

A. We don't ask for it.

14526. *Sir Maneckjee Dadabhoy.*—*Q.* You say that "we are sure that the scale of high duties since March 1921 has had an adverse effect upon trade" and in answer to the President's question you said that it was due to the fall in prices.

A. Increase in price had caused reduction in trade. Can I put in some figures as to particular commodities?

Consumption of imported Wines, Spirits and Bottled Beer. Basis period ½ year July—December 1920. Monthly percentages of quantities net values.

Year.	Per cent.
1913	103·32
1914	104·55
1915	88·15
1916	88·58
1919	61·75
Half-year January—June 1920	86·93
Half-year July—December 1920	100·00
Three months Jany.—March 1921	96·88
Three months April—June 1921	72·93
Half year July—December 1921	75·52

In the war period and the 18 months subsequent to the armistice sales were restricted by the shortage of supplies. This restriction began to be removed in the first half of 1920, and by the end of the second half of 1920 had almost disappeared. The effect of the additional duty levied from April 1921 is obvious.

14527. *Q.* There has been a gradual falling off.

A. No, immediate fall from 100 to 75.

14528. *Q.* The fall commenced according to your statement prior to March 1921.

A. Only to the extent of 3 per cent. For the half-year ending December 1920 it was 100 and for the first three months in 1921 96·8 per cent.

14529. *Q.* You are referring to your own sales?

A. Yes.

14530. *Q.* Not to the general sales?

A. No.

14531. *Q.* That would not be a very good guide? I will ask you one or two questions in this connection. The general slump in trade has been in existence for the last 18 months.

A. We are speaking of the retail trade. There has not been much slump.

14532. *Q.* There has not been much decline in trade.

A. The decline I have shewn already.

14533. *Q.* I am talking generally.

A. We are the biggest firms in Southern India in this line.

14534. *Q.* And you attribute this to the increased duties?

A. Yes.

14535. *Q.* Do you think that they have had a fair trial to come to any definite conclusions whether these increased duties have adversely affected the general trade or whether it is due more extensively to a general slump in trade conditions.

A. So far as we are concerned, we attribute it to the increased duty.

14536. *Q.* You generally object then I understand from your written statement at any rate seriously to the existing duties, that is, you would not like them to be enhanced.

A. No.

14537. *Q.* We have reached the maximum limit in the existing duties.

A. At any rate we consider that any increase such as was imposed last year would be very undesirable.

14538. *Q.* Why do you recommend in case of Jute and Tea an excise duty?

A. Only if it is necessary for revenue.

14539. *Q.* This at what you say in answer to Question 6 but when you come to Question 31 you say "We consider that in the case of commodities in the production of which India has practically a monopoly for example Jute and Tea a small export duty possibly levied in conjunction with an excise duty would do no harm." Here the ground for your recommendation is quite different. You say that because Jute and Tea are the monopolies of the country, you recommend an excise duty which I am not in a position to follow. What are your reasons?

A. Only as an alternative to something worse.

14540. *Q.* How?

A. If it is necessary to raise increased revenue, we consider that it would be the proper ground.

14541. *Q.* Why this tortuous method? Why not increase the duty on Jute? Why put an excise duty? Will you kindly explain?

A. Is there a duty on jute now?

14542. *Q.* Yes, there is. I am not saying myself that I am in favour of it. I am just taking your argument. They are our monopolies. On the basis of your argument I would ask 'why not increase the duty on jute'?

A. That would be just as good.

14543. *Q.* Have you any special reasons, I ask?

A. No.

14544. *Q.* Don't you think that an excise duty on Tea—I won't say anything about Jute—would practically ruin the industry? Because the tea industry is labouring at present under serious difficulties from what we have heard before.

A. We don't advocate increased duties on Jute and Tea. Only in case of necessity that further duties must be levied, then they should be on those articles where India has a monopoly of production.

14545. *Q.* With reference to your answers to Question 33, I would like your Association's opinion on this. In case there is an exportable surplus, what would you do?

A. If there are any good surpluses it would not be necessary to retain them.

14546. *Q.* Would you put on an export duty?

A. No.

14547. *Q.* Would you allow it to go out without an export duty?

A. I am not in favour of an export duty on principle.

14548. *Q.* You would allow the surplus products of the country to go without any export duty.

A. Certainly.

14549. *Q.* You would surrender the revenue in that case.

A. We consider that if it is necessary to retain foodstuffs Government should entirely prohibit or control the export but not by imposing an export duty.

14550. *Q.* You prefer control to export duty?

A. Yes.

14551. *Q.* You don't think that control has got serious disadvantages. Did you find the control working all right?

A. We are not controlled.

14552. *Q.* On the same principle which you advocate in the case of Jute and Tea for an excise duty, would you recommend an excise duty on tobacco that is grown in Madras?

A. We have no objection.

14553. *Q.* Because it logically follows.

A. Certainly.

14554. *Q.* You would be prepared to pay an excise duty?

A. If it is a case of necessity for revenue.

14555. *Q.* You would think it a legitimate source.

A. Only if it is necessary.

14556. *Mr. Jamnadas Dwarkadas.*—*Q.* You said that your export of cigars suffered because of the policy of Imperial preference, did you not?

A. No. I did not say that. I said that our output of cigars had suffered because the prices had been increased. Because the prices of tobacco had increased, as a consequence we had to put our selling prices up and that had caused the reduction in sale.

14557. *Q.* As a result of the policy of the Imeprial preference?

A. No. I did not say that.

14558. *Q.* Will you kindly say to what then was it due?

A. I say that as a result of the increased prices of matured Indian tobacco in 1919 the prices of cigars had to be increased. As a result the output of cigars had fallen from a basis figure of 100 to 35.

14559. *Q.* You say that you would not object to Empire preference, don't you?

A. We do not object to that.

14560. *Q.* You know that India exports more than it imports.

A. Yes.

14561. *Q.* And India is likely to suffer therefore if a policy of Imperial preference were adopted.

A. We would not advocate Imperial preference at the expense of India.

14562. *Q.* Coming to your point about the levels, Mr. Smith, if the statements as you make them are correct, it is very unfair. Don't you think so?

A. (*Mr. Smith.*) Yes.

14563. *Q.* You say that you can manufacture these articles at half the price.

A. (*Mr. Smith.*) A little more than half the price.

14564. *Q.* Supposing you manufacture them say at the same price or a little lower than the price of the imported article, would you even then consider it the duty of the State to encourage home industries.

A. (*Mr. Smith.*) Yes.

14565. *Q.* Now take another case. If your price was a little higher, even then don't you think that in order to encourage the home industries Government ought to buy from you.

A. (*Mr. Smith.*) They ought to.

14566. *Q.* They ought to encourage the home industries.

A. Yes.

14567. *Q.* Would you impose an import duty on the finished product if it comes from outside?

A. Yes, a very small protective duty.

14568. *Q.* Because ultimately the gain to the country will be very great.

A. Yes.

14569. *Q.* So in such cases where there is the likelihood of encouraging the industries by a small import duty, you would advocate an import duty.

A. (*Mr. Smith.*) For a limited period, I would.

14570. *Q.* Of course temporarily until the industry is able to cope with the foreign industries?

A. (*Mr. Smith.*) Yes.

14571. *Mr. Mant.*—*Q.* As regards levels, can you tell me what departments are importing from abroad?

A. (*Mr. Smith.*) Engineering Departments.

14572. *Q.* Of the Government of India?

A. (*Mr. Smith.*) Yes and also Local Government Engineering office, Mathematical Instruments Office.

14573. *Q.* What do you mean by the Engineering Office?

A. (*Mr. Smith.*) Chief Engineer in charge of the Department of Public Works.

14574. *Q.* Public Works Department of the Government of India?

A. (*Mr. Smith.*) Yes.

14575. *Q.* They have a very small department except the one at Delhi.

A. (*Mr. Smith.*) They import largely through the Mathematical Instruments Office in Calcutta.

14576. *Q.* Surely that must be the Survey of India Department as they are the expert department on Mathematical Instruments.

A. Yes.

14577. *Q.* Well, have they accepted the fact which you state that your levels are equal in quality to those which they have ordered from abroad?

A. (*Mr. Smith.*) No. They have accepted the fact that our levels are good for ordinary work.

14578. *Q.* They supply for other than ordinary work.

A. (*Mr. Smith.*) They do.

14579. *Q.* Do you say that they are ordering levels for ordinary work from abroad?

A. (*Mr. Smith.*) Generally they are all ordinary levels for ordinary work.

14580. *Q.* Have they actually purchased your levels?

A. (*Mr. Smith.*) Very occasionally. The local Government purchased a quantity.

14581. *Q.* They don't accept the fact that they are equal to imported levels for specially good work?

A. (*Mr. Smith.*) They have not admitted so up to the present time.

14582. *Mr. Seshagiri Ayyar.*—*Q.* I think that you said in answer to the President that the Madras Government Chief Engineer certified that your levels were quite as good as imported ones.

A. (*Mr. Smith.*) Yes.

14583. *Q.* Can you give me other instances of articles made by Messrs. P. Orr & Sons or some other firm which can be sold to Government at a lower price than the imported article?

A. (*Mr. Smith.*) Almost all Mathematical instruments, compasses of different kinds, drawing boards, heliographs, etc.

14584. *Q.* These you think you can sell to the Government at a lower price than they give for the imported article.

A. (*Mr. Smith.*) Yes.

14585. *Q.* As regards the figures which you gave this morning, don't you think that the fall in the consumption of bottled beer may be due to the activities of Dr. Pussyfoot Johnson and other similar movements.

A. We don't think so.

14586. *Q.* In reply to Question 6 you say "If the customs duties are kept low, we consider that an excise duty is not necessary, that is to say, if the customs duties are low, then the Government need not have the excise duty."

A. Our point is that the protection which would be given by the low customs would do no harm because it would not raise prices unduly.

14587. *Q.* That is, from the point of view of the consumer.

A. Yes.

14588. *Q.* Then you go on to say "while if the present duties cannot be otherwise reduced we consider that Government might levy excise on particular commodities for revenue purposes only," that is to say if they are going to impose a heavy customs duty, Government do not stand in need for revenue purposes of a further excise duty. I do not quite follow the logic of that paragraph. You begin by saying that if the customs duties are low, the excise duties are not necessary and if the present duties cannot otherwise be reduced, you consider that Government might levy excise duties.

A. If the customs duties are higher, that would be ample for revenue.

14589. *Q.* This would not apply then to the first clause "If the customs duties are kept low, we consider that an excise duty is not necessary." Have you considered the position of the Government?

A. Yes.

14590. *Q.* That cannot apply to the Government. That is my difficulty in following this paragraph.

A. The difficulty arises from this. "When we say if the customs duties are kept low," we refer to our present duties.

14591. *Q.* Do you consider the present duties too high?

A. Yes.

14592. *Q.* You say that for revenue purposes an excise duty upon sugar might be levied. We had a witness from Messrs. Parry and Co. yesterday, who stated that they wanted protection for their sugar industry by way of an import duty of 33⅓ per cent.

A. He probably knows more about it than we do. He is interested in it.

14593. *Q.* So you cannot maintain your position that an excise duty on sugar would be good for the country?

A. I do not press it.

14594. *Q.* There is only one more question and that relates to your answer to Question No. 73. You have been throughout speaking of the competitive instinct, but apparently you seem to forget that in answer to Question No. 78, You say "We would favour the maintenance of the existing rate for foreign goods combined with a reduction for British goods."

A. We favour a reduction because by reducing the duty on British goods you are not going to reduce the total volume of your trade.

14595. *Q.* If you are going to give preference certainly it would increase the cost to the consumer here.

A. No. We want preference only on the existing rates. The duty on the foreign goods would not be increased.

14596. *Q.* But the foreign goods would be higher in price than the British goods?

A. The price of foreign goods will not be higher to the consumer.

14597. *Q.* Would it not be better for the consumer to have a lower level of prices?

A. The lower the better. We do not ask for an increase in the existing duties in order to give preference.

14598. *Mr. Coyajee.*—*Q.* Are there any Indian articles in which preference is given in the United Kingdom?

A. Tea has some preference.

14599. *Q.* Speaking about the preference given to tobacco, you mentioned that an extra 33⅓ per cent. *ad valorem* was imposed in Great Britain. When was this imposed?

A. About two years ago.

14600. *Q.* So that there has not been sufficient time yet to judge the effect of the duty.

A. There has been sufficient time for the English Government to come to the conclusion that the duty should be withdrawn and they have taken it off.

14601. *Sir Montagu Webb.*—*Q.* I understand that your view is that the present import duties are checking imports?

A. Particularly the high duties.

14602. *Q.* What effect do you find the present duties are having on your local manufacturing industries? Are they affected in any way?

A. No.

14603. *Q.* You do not find that the present high duties are acting as a stimulant?

A. Not at all as regards the manufactures with which we are concerned.

14604. *Q.* That is very curious, is it not?

(No answer.)

14605. *Q.* Then you make one other interesting suggestion of which we shall take note. That is in your answer to our Question No. 31. You say that where excise duties are levied a drawback should be given when the goods are exported. Are there any goods which you are familiar with upon which excise duties are placed in India and on which a drawback is given when they are exported?

A. No, I think not. That is the system in England.

14606. *Q.* And you think that the system should be adopted here? This is to say, when any excise or consumption tax is levied on locally manufactured goods they should receive a drawback when they are exported outside the country.

A. We consider that would be fair.

14607. *Q.* You say tea is a monopoly. But India has practically no monopoly. There is the competition of Ceylon, China and Java.

A. There is the competition of Ceylon and Java.

14608. *Mr. Narottam Morarjee.*—*Q.* With reference to your answer to Question No. 5 can you tell us if there have not been other factors to contribute to the adverse effect upon trade?

A. Of course, yes.

14609. *Q.* Is it not due to the world-wide depression of trade?

A. We do not think so. There is not much depression in retail trade.

14610. *Q.* In retail trade I know that some of the Bombay merchants have suffered. In jewellery and watches there is an instance. Now, do you know that England has put a duty of 33⅓ per cent. on foreign motor cars? Why have they done that?

A. I think the principal reason was revenue. There may be difference of opinion.

14611. *Q.* Why did they put a high duty on motor cars? Why did they not reduce the duty on motor cars and increase the duty on other articles?

A. I think the duty was imposed only for revenue purposes. It is a matter of opinion why it was not imposed on other articles.

14612. *Q.* Do you know that the British toy manufacturers clamour for protection now?

A. Naturally the manufacturers will clamour. But taking the country as a whole it is adverse to protection.

14613. *Q.* Do you know that in 1781 bounties were given to all exported Lancashire cloth?

A. I know there was some system of bounties.

Witness No. 98.

A. M. GREEN, Esq., M.A., I.C.S., Officiating Collector of Customs, Madras.

Written statement dated the 21st November 1921.

14614. *Q.* 4. Inasmuch as Customs revenue is at present by far the most important head of Central revenue, it is essential that the primary principle of the tariff should continue to be that it should be devised to produce an adequate revenue without harming trade and commerce. Provided however that this consideration is always kept in mind, there is no reason why proposals to introduce subsidiary principles, such as some measure of protection and Imperial preference, should not be considered on their merits.

14615. *Q.* 6. It is obviously impossible to impose an excise duty on articles manufactured in India in all cases in which similar articles imported from abroad are assessed to customs duty, inasmuch as practically *all* imported articles are assessed to import duty. Any considerable addition to the existing excise duties would entail a very large inspecting and controlling staff and would interfere with the free course of internal trade. Excise duties should only be imposed on articles which the Legislature definitely desires to tax for revenue purposes, *e.g.*, liquors, intoxicating drugs, and possibly manufactured tobacco and some other luxuries.

14616. *Q.* 8. In theory and usually in practice excise duties cannot be imposed without raising the price to the consumer. If, however, the price of the indigenous product on which an excise duty is imposed be determined by the price of a similar imported product, the excise duty, provided it be lower than the customs duty, is not likely to have much effect, because the indigenous product will, in the ordinary course of trade, in no case, be sold much cheaper than the imported product. Similarly the removal of an excise duty will not necessarily lower the price to the consumer appreciably. So long as goods manufactured in India can only partially satisfy the demand and similar goods have to be imported, Indian goods are not likely to be sold much cheaper than imported goods if of the same quality.

14617. *Q.* 15. The difficulties of giving special protection against foreign goods which are dumped or supported by bounties or subsidies are administratively very great. The only effective method of ascertaining the exact facts would be to maintain a world-wide organisation of the nature of a commercial Intelligence Department. But the information therefrom derived would almost inevitably take so long to arrive and the expense of an efficient organisation would be such that it is very doubtful whether the game would be worth the candle. Some measure of protection might be afforded by assessing goods on the estimated Indian cost of production, a principle recently put forward by the

"Fordney" Tariff bill in the United States of America, but such assessment would obviously present very serious difficulties, and would inevitably lead to frequent disputes and law suits.

14618. *Q.* 19. Conflicts of interests would certainly arise in India and would be difficult to adjust. There is already a conflict between Indian tanners on the one part and producers and exporters of hides and skins on the other part. The latter not unnaturally bitterly oppose the export duty on raw hides and skins, and are constantly urging its repeal. Tanners on the other hand are strongly in favour of its retention.

14619. *Q.* 20. When an import duty is imposed ordinarily the whole of it and even more (in the shape of interest on the duty) is passed on to the consumer in a rise of price. In particular instances temporary causes may obscure or prevent this passing on. For example, when the duty on motor cars was raised from 7½ to 20 per cent. *ad valorem* it so happened that very large stocks were in the hands of dealers, who found it so necessary to obtain cash by selling that no immediate increase of price was made even on cars which had paid the new 20 per cent. duty. Similarly a rise in exchange may easily obscure the imposition or increase of an import duty.

14620. *Q.* 21. The rise in price caused by a protective duty is likely to persist, unless and until Indian production expands and equals foreign production in efficiency, and internal competition leads to a cutting of rates.

14621. *Q.* 24. An increase in the cost of living is bound to lead eventually to an increase in wages, but the process may be very lengthy, especially in a country where labour is hardly organised. Inasmuch as the industrial wage earners possess more solidarity than other classes in India, they would probably be the first to obtain higher wages by means of agitation and, if necessary, strikes. But the agricultural wage earners and the middle classes would not be likely to see their earnings advance as quickly, and would undoubtedly suffer for a considerable time.

14622. *Q.* 25. It is hardly possible to forecast the effect of a policy of protection on the foreign trade of India and on the general commercial position because there are so many unknown factors, such as the pitch of the protective duties, the ability of consumers to pay higher prices, rates of exchange, etc. There is no doubt that India can put into effect a consumers' strike as well as western countries, and that if prices rise too high, consumption will be reduced. As an example I quote in the margin the quantities and values of cotton piece-goods imported into British India for the past 11 years and the first half of the present fiscal year. The figures seem to indicate that the quantity imported is largely determined by prices and that India will not spend more than a certain sum, on foreign piece-goods. Before the war she could afford Rs. 50 crores and over, plus an import duty of 3½ per cent. *ad valorem*. During the war she would probably have paid more had the goods been available, despite an increase of duty to 7½ per cent. in 1917.

Years.	Cotton Piece-goods.	
	Quantity.	Value.
	Mds.	Rs.
1910-11 . .	2,308,119,094	89,00,16,005
1911-12 . .	2,437,892,898	42,88,90,890
1912-13 . .	3,022,529,457	53,30,49,570
1913-14 . .	3,197,128,712	58,13,72,700
1914-15 . .	2,445,661,682	42,96,52,245
1915-16 . .	2,148,100,211	37,76,29,800
1916-17 . .	1,933,521,578	45,64,63,695
1917-18 . .	1,555,508,775	49,72,50,105
1918-19 . .	1,121,974,998	49,40,58,570
1919-20 . .	1,080,747,882	51,76,36,660
1920-21 . .	1,509,320,055	83,77,75,132
1921-22 April to September. .	487,223,138	19,85,22,912

In 1920-21 the rupee value of the imports was greatly enhanced by the fall in the exchange value of the rupee and the consumers struck. It is quite possible that the enhancement of the import duty from 7½ to 11 per cent. in March 1921 went to confirm them in their strike, but obviously the exchange factor was more important. Nevertheless, if the import duty is again enhanced (and the mill industry will undoubtedly clamour for a higher duty if the exchange value of the rupee again improves, thus rendering competition from abroad more serious) any improvement in consumption must be delayed. Similarly a general increase in the import duties will no doubt tend to restrict other imports. If this occurs the rupee may be expected again to rise, so that eventually a new parity between imports and exports would be established. On the whole I am of opinion that matters will tend to balance themselves provided that the duties imposed are not too high. But here again we have the difficulty that if the duties are not high, Indian producers will complain of inadequate protection.

14623. *Q.* 26. I consider that this general question can only be answered after a detailed study has been made of the duties imposed by foreign countries on Indian goods, article by article.

14624. *Q.* 27 and 28. From the point of view of a Customs officer I would deprecate the adoption of general and special tariffs. At present our tariff makes no distinction between one country and another (except in the case of the export duty on raw hides and skins) and consequently the assessment of duty is not complicated by any consideration except that of value. If we adopt general, preferential and special tariffs there are bound to be complications both in India and outside India, for it is almost certain that we should require certificates of origin, consular attestations, etc., etc. The more documents that have to be produced, the more delay is bound to occur in the clearance of goods and the greater will be the work and expense involved in the execution and acceptance of bonds for the due production of missing documents. The amount of extra work and trouble thereby caused can well be forecasted from our experience during the war, when we had an immensity of trouble in enforcing the production of certificates of origin and interest, etc. Importing firms could no doubt give the same evidence.

14625. *Q.* 31. The imposition of export duties must either increase the cost to the purchaser or reduce the profits of the producer. In either case the export trade is likely to suffer, except in the case of monopolies or virtual monopolies such as jute. Even monopolies can be taxed so high as to make the manufacture of substitutes profitable. It is well known that during the war Germany produced a substitute for jute which was almost in every way as acceptable as jute except in the matter of price. Therefore an export duty on a monopoly must not be so high as to encourage the production of substitutes. Apart from these general considerations it must be remembered that export duties are likely to be a serious hindrance to the mechanism of the export trade. A delay of a few days in the assessment and collection of import duty does not matter very much, as the goods can be discharged from the importing vessel as soon as it arrives. But a similar delay in the case of export goods may mean that the exporting vessel is either held up in port doing no work, earning no money and incurring expense, or has to sail part loaded. Any delay to shipping must render the ports in which it occurs unpopular and lead to higher freights. Especially in a port of call like Madras, where export cargo has to be sent for shipment at very short notice, the inevitable delay, even if it only amounts to a few hours, caused by assessment and the collection of duty may be a serious matter. The difficulties occasioned by export duties may be exemplified by the following case. It is necessary for customs purposes to examine a certain proportion of baled hides and skins on export. This entails rebaling under customs supervision. If the goods are shipped without rebaling, the freight is increased because the ship reckons freight on the whole consignment on an average of both the baled and unbaled measurement. Had not the Madras Port Trust agreed to instal a baling press within Customs limits, exporters would have been put to financial loss as well as to inconvenience.

14626. *Q.* 32. If an export duty be imposed on a raw materia' in order to encourage its retention in India and if it be high enough to achieve its object, there must be a distinct risk of smaller production.

14627. *Q.* 33. From a customs point of view the automatic control of the export of foodstuffs by the collection of an export duty will be simpler than the present method of control by prohibition and licensing. But I doubt whether the imposition of such a duty would lower Indian prices and the cost of living. Its obvious effect would be to decrease production of food crops and to increase the production of commercial crops. The former will naturally grow the crops that pay him the best, and the Indian farmer is not slow to respond to alterations in prices of agricultural produce.

14628. *Q.* 35. As a Customs officer I realize that Imperial preference must complicate customs administration and to some extent commerce—*vide* answer to Questions 27 and 28. As a subject of the Crown I favour the idea of Imperial Preference so far as practicable, but I do not think it would be fair to ask India to risk any appreciable economic loss.

14629. *Q.* 36. I would make no differentiation between the United Kingdom and other parts of the Empire, if only because of the additional complication of a complicated tariff that would be thereby involved.

14630. *Q.* 37. I see no special reason to anticipate any material loss or gain to India. Inasmuch as the United Kingdom is our chief supplier of manufactured goods, a moderate preference would help to maintain friendly relations between British manufacturers and labour and Indian commercial men.

14631. *Q.* 40. If an additional duty be levied on goods coming from foreign countries the price to the consumer is likely to be raised. In the ordinary course of trade British goods would be sold in India at almost the same rates as foreign goods which had paid a higher duty.

14632. *Q.* 41. I do not anticipate that a system of Imperial preference would seriously affect the balance of trade always provided that the preference is moderate.

14633. *Q.* 42. I do not consider that a moderate preference would divert trade appreciably.

14634. *Q.* 78. Our present system is a combination of specific and *ad valorem* duties. The main specific duties are those of liquor, salted fish, tobacco other than cigars and cigarettes, coal, coke and patent fuel, petroleum, opium, matches and firearms.

Ad valorem duties are assessed in three distinct ways, *i.e.* (1) on the local market value under section 30 (*a*) of the Sea Customs Act; (2) on the cost of delivery, which practically means the *c.i.f.* invoice cost plus landing charges, under section 30 (*b*) of the Sea Customs Act and (3) on tariff values fixed by the Governor-General in Council from time to time under section 22 of the Sea Customs Act. As regards (1), market value assessments are most difficult, but normally yield best revenue. The Customs benefit on a rising market and the importer, on a falling market. As regards (2), assessment on *c.i.f.* values is easy, although exchange rates have to be watched carefully so that values can be accurately converted into rupee currency. Such assessment means a gain to the Customs on a falling market, and to the importer on a rising market. As regards (3), tariff valuations are ordinarily fixed once a year by the Government of India on the recommendation of the Director-General of Commercial Intelligence, after this officer has consulted Collectors of Customs and Chambers of Commerce. The basis of his recommendations are statistics of quantities and values originally compiled in the Custom House. Such a system of assessment is satisfactory when prices are reasonably stable. But when prices are sagging or jumping violently, frequent revaluations are necessary to protect the interests both of the revenue and of importers. In any case it is only practicable to fix tariff values in cases where distinct classes of goods exist which vary little in quality or price. It is obviously quite impossible to fix tariff valuations for goods (*e.g.*, machinery and manufactured articles generally, which do not form a simple and homogeneous class for which an average value can be determined without much difficulty.

The reasons which render it impossible to fix tariff valuations for many classes of goods equally prevent the adoption of specific duties. It is obviously impossible, for example, to assess machinery or even particular classes of machinery at a fixed charge per cwt. To do so would mean that taxation would bear most heavily on cheap goods.

My conclusion is that the present mixed and elastic system should be continued. This ensures that the more expensive goods, which are best able to yield revenue, will not escape more lightly than cheaper goods. Again frequent changes of rates and the laborious statistical investigations involved thereby (which will be very considerable) will be avoided. As regards the argument that it is an advantage to merchants to know exactly what duty will be payable, I would submit that our present system is no real handicap to trade. The amount of duty payable is only one of the many factors which the merchant has to take into account when considering whether it will pay him to place an order either at a *f.o.b.* or a *c.i.f.* rate. The cost of the goods when cleared may be affected much more seriously by exchange, and the value of the goods on arrival must depend largely on the then state of the market. In fact, in the case of assessments on local market value, the importer has this advantage, that on a falling market, when it is important that the expenses should be reduced to a minimum, he automatically pays always less in duty; possibly indeed he pays on a value lower than his *c.i.f.* invoice value.

Oral evidence dated the 1st February 1922.

14635. *President.*—*Q.* You are Collector of Customs, Madras?

A. Yes.

14636. *Q.* From your answer to Question No. 4 it appears that the fiscal policy you would recommend would be a revenue tariff as at present?

A. Primarily, Sir.

14637. *Q.* And you say that you would not mind some measure of protection being considered as a subsidiary principle. What do you mean by that?

A. If it be decided that the policy of the Government should be to encourage a particular industry by protection or to adopt any measure of Imperial Preference I see no objection to that being done, provided we still get an adequate revenue from the customs.

14638. *Q.* You would have no objection to protection being adopted as the fiscal policy of India?

A. I am speaking as a customs officer.

14639. *Q.* Then, I will not take you over all the replies you have given, but I will deal only with that part of your statement which concerns your department. Please refer to your answer to Question No. 78. You say that our present system is a combination of specific and *ad valorem* duties and then you give a list of the articles on which specific duties are levied. As a general proposition do you think that the present system is the most suitable, that is import duties levied specifically in some cases and on value in other cases?

A. Yes. I consider that the present system has worked well.

14640. *Q.* Would you advocate purely specific duties or *ad valorem* duties and tariff valuations?

A. I should not be inclined to recommend that because on some cases I consider it practically impossible to fix tariff valuations.

14641. *Q.* Because in some cases the effect of the tariff valuation might be a conflicting incidence of tariff?

A. Certainly.

14642. *Q.* Therefore, in your opinion the system which is now in practice which is partly specific and partly *ad valorem* is most suited for India?

A. Including a certain number of tariff valuations under *ad valorem*.

14643. *Q.* Will you please explain?

A. When the law says that the duty should be charged on an *ad valorem* basis it may be either on the market value or the landed cost, under section 30 of the Sea Customs Act. At the same time, the Governor-General

has power, under section 22 of the Sea Customs Act, to fix tariff values for articles. These articles are scheduled in a list, and that list is increasing now. It is to the convenience of the trade to know that a particular kind of article will pay a certain duty for a certain period, which will last for one year. As I have said in my written evidence you can fix tariff valuations only for goods of a simple and homogeneous character. You could not fix a tariff valuation, for example, for certain classes of machinery, and they should continue to be assessed *ad valorem*.

14644. *Q.* But tariff valuation has other disadvantages in addition to the conflicting incidence of tariff. If you do not adopt a definite policy Government may lay itself open to the criticism that they are fixing tariff valuations for certain articles only and not for other articles. Specific duties and *ad valorem* duties do not admit of such criticism.

A. Except that tariff valuation is in essence an *ad valorem* duty.

14645. *Q.* But *ad valorem* based on average price calculated for a certain period.

A. It is very largely based on that, but not absolutely.

14646. *Q.* I was under the impression that it was based on the average price for a certain period.

A. It is very largely so. The Customs House has to furnish statistics of quantities and market values to the Director-General of Commercial Intelligence, who before the year commences holds a meeting at Calcutta to examine the prices of the different Customs Houses and works out the averages, but I think he also takes into account, in some instances, the probabilities of the trade in the future.

14647. *Q.* That is speculative?

A. To a certain extent it is speculative, but I admit that it is based mainly on past value.

14648. *Mr. Narottam Morarjee.*—*Q.* In answer to Question No. 6 you say "Excise duties should only be imposed on articles which the Legislature definitely desires to tax for revenue purposes, *e.g.*, liquors, intoxicating drugs, and possibly manufactured tobacco and some other luxuries." Now, may I know if you are opposed to countervailing excise duties?

A. I consider they are very difficult to work because it is difficult to get accurate and up to date costs to assess on. I am not opposed to them as a Customs Officer particularly.

14649. *Q.* In reply to Question No. 25 you say: "Similarly a general increase in the import duties will no doubt tend to restrict other imports. If this occurs the rupee may be expected again to rise, so that eventually a new parity between imports and exports would be established." Will a gold currency remove this difficulty?

A. That is a question that I would hardly venture to answer.

14650. *Sir Montagu Webb.*—Your answer to Question No. 4, I take it, means that you consider that substantial customs revenues must be collected no matter what the fiscal policy may be, in order to provide the Central Government with revenue?

A. Yes.

14651. *Q.* Then, in addition to customs revenue, it is possible that Government might supplement that by means of excise duties or consumption taxes. Could you give the Commission any idea upon what goods you think consumption taxes might be levied for revenue purposes only? You mention liquors, intoxicating drugs, and possibly manufactured tobbaco. Are there any other sources of excise revenue which as a Customs Officer you think it might be practicable to collect?

A. I take it that it is only possible to collect an excise duty on manufactured articles or products which are under a fairly centralised management, *e.g.*, it is practically impossible to impose an excise tax on *bidis* and cheap Indian cigarettes or on cheroots made in this Presidency. It is more or less a cottage industry. I think it would be very difficult to impose an excise duty on any unorganised trade.

14652. *Q.* Are there any organised trades which conceivably might bear consumption tax or an excise duty for revenue purposes only? Jute or cotton?

A. I find it not easy to answer that question off hand.

14653. *Q.* Would you think jute is a suitable industry from the point of view of feasibility of collecting the duty?

A. From the point of view of collecting the duty, yes.

14654. *Q.* Anything else than jute and cotton? I am only thinking of sources of revenue.

A. I have not mentioned petrol. There is an excise duty on that.

14655. *Q.* Is there an excise duty on petrol?

A. Yes. Six annas a gallon.

14656. *President*—It was imposed during the war time and it still continues.

Sir Montagu Webb—*Q.* There is no excise duty on kerosine?

A. No.

14657. *Q.* Please refer to your answer to Questions Nos. 27 and 28. What have you in mind when you talk of a special tariff? Do you mean a tariff which differentiates between different countries?

A. Yes.

14658. *Q.* Such a tariff you think is difficult to administer, because it is difficult to trace the countries of origin?

A. It would be extremely difficult if the consignees endeavoured to deceive us.

14659. *Q.* Then merely from the point of view of a revenue officer you would rather not see preferential duties introduced?

A. I would not, speaking purely from the point of view of a revenue officer.

14660. *Q.* Then in your reply to Question No. 31 you refer to the difficulties in collecting export duties. You take up one particularly difficult case, namely, hides and skins. Would this same difficulty arise in any other class of export?

A. Probably not so much in the cases of jute, tea or rice, provided no question of quality arises which the Customs would have to verify on export.

14661. *Q.* I should think probably hides and skins are the most difficult, from the Customs Officer's point of view, of all exports.

A. Of all our existing export duties it is the most difficult.

14662. *Q.* Then, with reference to Question No. 78, have you any preference as between specific duties and tariff values?

A. A specific duty is the most convenient one for us because we have to collect so much on a specific article or a specific quantity. There is no question of value. The question of value does not actually come in when we collect duty on tariff valuations. But it does come in when we recommend what the tariff valuation should be. For that purpose we have to maintain a fairly exhaustive record of prices.

14663. *Q.* Then, from the point of view of a revenue officer would you consider specific duties the best and simplest to administer. That is to say, would it be wise to make everything specific as far as practicable?

A. I do not see any objection to extending the list of specific duties as far as practicable, but I do not think one can take it very far.

14664. *Q.* I think I am right in thinking that that would be the most satisfactory type of duty from your point of view?

A. From our point of view,—yes.

14665. *Q.* Then next to the specific tariff, tariff valuation is the best form. Going down the scale further, comes *ad valorem* duties. Which do you prefer,—collecting the duty on the market value on arrival or cost of delivery based on invoice value?

A. There again the invoice value is the easier: it does not need much experience to trace and work out the value of the invoice plus the landing charges.

14666. *Q.* Do you find from your experience that the invoices can be relied on?

A. As a general rule commercial morality is quite high enough to enable us to accept it. But there are cases where, through no fault of the invoicer, we cannot accept them. For example, producers abroad with a selling branch here may be working on a *pro forma* invoice, and that invoice may purely represent the cost of production and nothing else. It may not even include over-head charges; it may not include ordinary insurance,—they

may carry their own insurance. They will be extremely annoyed if we venture to assert that we cannot accept their invoice in fairness to the other importers of similar goods. The Commission may remember the long dispute in Bombay with the Vaccum Oil Company.

14667. *Q.* Then from the point of view of a revenue officer you would prefer the collection of revenue on the invoiced cost plus the landing charges rather than on the market value.

A. Yes.

14668. *Q.* This Commission will have to consider the points of view of the importer or the exporter as the case may be as well as of the Government.

A. It is easier for us, but not necessarily advantageous to Government, to collect on the invoiced charges, than on the market value.

14669. *Q.* Why should that be ?

A. Because the market value is usually more than the actual invoiced cost plus the cost of landing.

14670. *Q.* We heard in Calcutta serious complaints with regard to the administration of the Tariff Act, especially from the importers of machinery. Have you had any difficulties in the administration of the Act and do you think there is much scope for misunderstanding ?

A. Of course, if I may say so, lay men do not always read a statutory enactment quite as well as a person administering it. Certain hard cases do occur. I think recent instructions from the Government will, to a certain extent, allay those cases.

14671. *Q.* We have had such questions, as, for example the imposing of a duty on paper and on printing ink and letting books free thus discouraging the printing of books in this country.

A. That is a matter of policy rather than of customs administration.

14672. *Mr. Coyajee.*—*Q.* In answer to Question No. 15, you refer to the difficulties of fixing anti-dumping duties. And one suggestion you have made to get over this difficulty is to assess goods on the estimated Indian cost of production. Will not this be very difficult in view of the backward condition of the country which might not produce a good many articles.

A. I think so ; the difficulty is practically insuperable.

14673. *Q.* May I suggest an alternative procedure ? The price fetched by selling the goods may be taken as the basis for anti-dumping duties. Do you think that would be a solution of the difficulties of fixing an anti-dumping duty ?

A. I do not see how it would work. So long as an article has a market value, it is assessed on its market value in India under section 30 (*a*) of the Sea Customs Act. I think most of the articles that now compete with Indian production probably are now assessed on market value.

14674. *Q.* But we are talking of things which has no cost of production in India, that is articles which are not manufactured in India.

A. We determine what it would fetch by actual experiment.

14675. *Q.* By the Customs Officers selling the thing ?

A. If we do not agree to the value declared. That again is something like the procedure prescribed in section 32 of the Act. Difficulties occur in putting that section to effect, because especially in small markets it is frequently possible for the firms to combine and not to bid.

14676. *Q.* So your conclusion is that it is extremely difficult to fix anti-dumping duties ?

A. Yes.

14677. *Q.* Now coming to your answer to Question No. 78, your conclusion is that the present mixed and elastic system should be continued. Isn't it ?

A. Yes.

14678. *Q.* In respect of that I would suggest for your consideration the opinion of your colleague in Calcutta. He argued in this way. It is possible to extend these specific duties on cotton goods, paper, provisions, rubber, cigars, cigarettes, cement and woollen goods which with minor items will represent an additional 40 per cent. of the trade, leaving for *ad valorem* assessment less than 25 per cent. That is the view of Mr. Lloyd. Do you think that it is possible in this way for the extension of the specific and tariff valuation system at the cost of *ad valorem* assessment ?

A. I should think Mr. Lloyd is very sanguine. There would be great difficulty in fixing tariff valuation or specific duties on cotton goods which form the great bulk of India's imports, because of the many varieties. Mere difference in mark makes considerable difference in prices.

14679. *Q.* Would not similar difficulties arise in the case of woollen goods ?

A. Certainly.

14680. *Q.* Similarly in the case of paper also ?

A. Yes there are a good many varieties of paper.

14681. *Q.* So that you do not quite agree that a grea extension on the lines proposed of a specific and tariff valuation system is possible ?

A. Not a great extension. We are gradually adding from year to year.

14682. *Q.* You say that specific duties give protection because if prices fall the duty becomes heavier and if prices rise the duty becomes lighter. In the case of *ad valorem* duties also there is a certain amount of protection according to the foreign prices. Will you please say which of these two duties is the worse ?

A. Specific is of course the worse.

14683. *Q.* In Calcutta and Rangoon your colleagues expressed the view, that if the general rate of import duties in India were increased above say 10 or 11 per cent. that would be no advantage to the revenue. Is that your view ?

A. I would agree as far as I have seen the effect of higher duties.

14684. *Mr. Seshagiri Ayyar.*—*Q.* In answer to Question No. 36 you say that inasmuch as the United Kingdom is our chief supplier of manufactured goods, a moderate preference would help to maintain friendly relations between the British manufacturers and labour and Indian commercial men. You don't seem to take into account the Government or the people of this country.

A. In what way ?

14685. *Q.* You say it would establish friendly relations between the British manufacturers and labour on the one hand (that is British labour I take it). Would it not to a certain extent reduce the amount of money which the Government would receive if there is no preference shown, having regard to your statement that the largest import is from the United Kingdom ?

A. If one maintains the existing rate of duties for the United Kingdom and puts an additional tax upon other countries, I do not think the Government would lose the duty, unless you wish to screw up the duty on all countries as high as possible. If you show preference to the United Kingdom, naturally this country must lose, that is, if there is a uniform duty .....

14686. *Q.* I am speaking from the Indian Government point of view. Would it not be detrimental to the taxable interests of the Indian Government that they should show preference to a country which has the largest exports to this country ?

A. I do not see why it should necessarily be, provided we maintain the present rate of duties on goods to and from within the Empire. If the duty on goods from the United Kingdom is raised to such a level that the United Kingdom manufacturers would no longer be willing to send, it might diminish the supply of those goods and we might have to pay higher prices for the goods from other countries.

14687. *Q.* Not necessarily higher prices.

A. Inasmuch as we get 60 per cent. that is, a large proportion of our imports from the United Kingdom, it would be difficult to give that up at once and to get all supplies from other countries.

14688. *Q.* Are you afraid that other competitors will not be able to give us the necessary supply ?

A. I should certainly think so.

14689. *Q.* Certainly Japan and the United States can give us the goods we require, and Germany if she recovers her normal conditions.

A. I do not think so.

14690. *Q.* What part of this 60 per cent. would it be, or rather what would be the percentage of goods which cannot be replaced ?

A. I fear I cannot say that off hand.

14691. *Mr. Birla.*—*Q.* In connection with Question No. 8 about excise duty, you say ' similarly the removal of an excise duty will not necessarily lower the price to

the consumer.' I quite agree with you there, but you forget one thing; while the tariff duty tends to raise the prices to the consumer, at the same time it tends to the development of local industry, whereas the countervailing excise duty not only raises prices but at the same time discourages the development of local industry. Under these circumstances would you be justified in maintaining the excise duty on the cotton industry?

A. That again is more a question of policy than of customs administration.

14692. *Q.* Do you agree that a countervailing excise duty checks the development of local industry?

A. I do not think it does necessarily.

14693. *Q.* Is not that a fact?

A. In strict theory it is true.

14694. *Q.* With reference to your answer to Question No. 25, I don't quite understand what you want to prove. Do you want to prove that protection will restrict the seaborne trade of India?

A. I think that if the pitch of taxation is sufficiently high it must decrease the imports into the country.

14695. *Q.* What do you mean by 'sufficiently high'?

A. The duty at the present rate is probably from the revenue point of view about as high as one can put it. I think a duty of 25 per cent. would so decrease the consumption that it would also decrease the revenue.

14696. *Q.* What do you think of the present duty? Is it sufficiently high?

A. It is very hard to judge, because there have been so many causes at work since it was imposed that it is difficult to see the actual effect, such as the fall in exchange, the non-co-operation movement, and the general trade depression.

14697. *Q.* Do you know of any other countries that have got duties of a protective nature? Do you think their seaborne trade has been restricted on account of the protection?

A. It is rather difficult to answer that. I have not got figures before me.

14698. *Q.* It seems to me that the seaborne trade depends on the general prosperity of the country whether it is free trade or protection. I should like to know your views.

A. In my written answer I said that the trade tends to balance always provided the duties are not too high.

14699. *Q.* You have tried to prove by the statistics which you have given about the import of piece goods that on account of high prices the consumption was reduced. But at the same time I find that in spite of the high prices the consumption of the Indian mill made piece goods has gone on increasing continuously. That shows that if the consumption of Manchester made goods has gone down it might be perhaps on account of the inclination of the people to use Indian made goods or on account of the inability of Manchester to provide sufficient piece goods.

A. I think it was the mixture of several causes, the inability to send goods from Manchester, partly because of the high prices of Manchester goods, and partly owing to political causes.

14700. *Mr. Mant.*—In para. 25 you say that in 1920-21 the rupee value of the imports was greatly enhanced by the fall in the exchange value of the rupee. Do you mean that the fall in exchange stimulated imports?

A. No. I mean that when the goods came here the rupee equivalent of their sterling prices had risen very much higher than the people who placed the orders suspected they would.

14701. *Q.* Coming to your answer to Question No. 31, regarding delay in shipping, is that aggravated by the differential duty on hides, I mean by the preference given to countries of the Empire?

A. Only in so far as shippers to Empire destinations may have to give a bond that they only wish to pay 5 per cent. instead of 15 per cent. duty. I do not think there have been serious delays.

14702. *Q.* The delay is owing to tariff valuation of hides, isn't it?

A. Yes. We have to examine them and classify them according to the different tariff valuations.

14703. *Q.* That objection would apply if the duty on hides was made uniform to all countries, isn't it so?

A. Yes.

14704. *Q.* You don't make the same objection to export duties on any other commodity?

A. Certainly not so much. There may be slight delay for example in the weighment of jute, rice, etc.

14705. *Q.* Supposing export duties are put on food grains. Would your objection apply?

A. It will apply rather strongly. Food grains go out in very large quantities and you would have to put a special staff for loading them and for checking the weighment of certain selected bags.

14706. *Q.* You would not have any very wide difference in quality?

A. In quality probably not.

14707. *Q.* In answer to Question No. 33 in regard to export duties you say 'I doubt whether the imposition of such a duty would lower Indian prices and the cost of living. Its obvious effect would be to decrease production of food crops. I don't quite understand how it would decrease production if it did not lower prices.

A. I mean that the farmer presumably instead of growing food crops which he used to export would grow them only barely sufficient for local consumption and would turn his energies to growing commercial crops. The prices therefore of food crops are not likely to fall.

14708. *Q.* The grower does not export the products himself. It is the dealer. So long as the grower gets the same price from the dealer he does not mind whether there is an export duty or not.

A. My experience as a District Officer was that as the price of cotton rose, very much more of it was grown than had been before.

14709. *Q.* We are talking of food grains. The grower of food stuffs is not usually the exporter. He generally sells to the dealer and so long as the grower gets the same price why should he restrict production?

A. Would he get the same price from the dealer?

14710. *Q.* Do you say that the export duty would not lower prices?

A. I do, because the purchaser of the crops will naturally conserve his goods if he can get as good a price in the country. It is all a question of who is to pay export duties. It is difficult to allocate it to one of the parties, the grower, the middleman and eventually the exporter. It seems to me to follow that the exporter has to pay it. It is not likely to be paid eventually by the consumer if he can get the articles anywhere else.

14711. *Q.* I admit that. The natural thing would be that the producer will have to pay.

A. If the producer has to pay it, I suggest that he will produce a crop which will pay him better.

14712. *Q.* I quite agree with that conclusion.

A. The producer having turned to others' crops, there will be less supply of food grains in the country.

14713. *Q.* Then prices will eventually go back. But the first effect of reduced production would be to lower prices.

A. Yes.

14714. *Q.* I understand that you think it would be difficult to apply tariff valuations to cotton goods.

A. Yes.

14715. *Q.* Your objection is that it would be difficult to get an equitable incidence of taxation on the different classes.

A. I think so.

14716. *Q.* You are in favour of continuing the *ad valorem* system.

A. Yes.

14717. *Mr. Jamnadas Dwarkadas.*—*Q.* You said that you find it difficult to collect the duty on hides and skins from the exporters. What is that due to?

A. It is not difficult for us to actually realise the money. But we cannot help causing certain hindrance to exporters by detaining their consignments. They bring their goods to catch a particular ship. We have to examine them to see their class, such as whether they are tanned or untanned hides. For that purpose

we have to open the bales. They have then to be rebaled. The shipper has to pay duty before the goods can be shipped and when ships stay only for a short time in port as in Madras, there is very little time.

14718. *Q.* Do you consider this inconvenience is caused by the export duty ?

A. Yes. If there were no export duty we need not open the bales to examine the goods.

14719. *Q.* You say that in times of scarcity you would prefer a small export duty on food stuffs than a system of control ?

A. I say it would be easier for us. The restriction would work automatically if an export duty were levied.

14720. *Q.* It has been suggested that a system of control has the effect of inducing the dealer to hoard the goods in anticipation of better prices. Do you agree with that view ?

A. Certainly. I do not know much about Madras because the control of rice has hitherto been in the hands of the Director of Civil Supplies. But when I was in Karachi, I noticed that the goods were held up and the prices forced up.

14721. *Q.* Would not the export duty have the same effect ?

A. Do you mean that it would induce people to hoard ?

14722. *Q.* Yes.

A. I think conceivably it would if duties were made heavy enough. But generally it would not be as great an inducement as control.

14723. *Q.* In your answer to Question No. 78 you say that tariff valuations are ordinarily fixed once a year by the Government of India on the recommendation of the Director General of Commercial Intelligence. What is your experience with regard to this valuation made by the Government of India ? Do the people concerned think that it is at times unfair or does it work smoothly ?

A. Normally it works smoothly. When prices are abnormal and are jumping violently then it won't work smoothly.

14724. *Q.* Which do you think, from the point of view of the importers, is the more satisfactory form of duty *ad valorem* or specific ?

A. I should think the importer in normal times would probably prefer assessment on tariff valuations. He knows for a fairly long period what he will have to pay on particular goods.

14725. *Sir Maneckjee Dadabhoy.*—*Q.* As a Customs Officer you naturally advocate that the tariff policy should be so devised as to produce adequate revenue. But you do not object to the introduction of protection as a subsidiary principle, where such protection is justified on individual merits of industries ?

A. No, I do not object.

14726. *Q.* In this connection I would like you to explain what you said about the Fordney tariff system, which has been adopted in the United States, with reference to estimating the cost of production.

A. As far as I understand the text of the American Bill, which is most complicated, it is proposed to assess *ad valorem* duties in America in future not on the price of the goods themselves, but on the wholesale price at which similar goods made in the United States were normally sold at the time the goods were exported from the country of production.

14727. *Q.* The price at the time of export ?

A. Yes. Not at the time of import.

14728. *Q.* Please give us an illustration so that we may be able to follow it.

A. Let us take boots and shoes. If a consignment of British boots and shoes arrived in the United States, I understand that the Customs officers would have to ascertain the wholesale price of similar goods made in the United States at the time those goods left England or the time they were manufactured. It is an extremely difficult thing to effect the valuation. There are also several alternatives.

14729. *Q.* What are the several alternatives ?

A. If they cannot ascertain that value, then they take the wholesale price of similar goods not necessarily made in the United States at the time of exportation. If America, for instance, made no boots and shoes, they would find out what boots and shoes were selling at in the United States when the particular consignment left the United Kingdom. If this method fails, then they go to the foreign wholesale value, the value at which goods could be sold for exportation to the United States at the time when they were being shipped, to which they add all charges and make an allowance for the profit of the manufacturer in the country of production. Lastly, if I understand the Bill rightly, if this method fails, they take the cost of production in the foreign country itself, add all overhead charges, and all allowance for profits freight and insurance, and then finally get their value.

14730. *Q.* That would require a very elaborate customs machinery.

A. As far as I can see it would need a world-wide machinery.

14731. *Q.* Speaking about excise duties in answer to Sir Montagu Webb you said that excise duties on cotton and jute would be justified on the feasibility of collecting such duties. So far as I know the excise duty on cotton is not feasible. It depends on the quality of the cloth and the various textures. It is a most complicated process. I know with regard to my own mills that there is always a difficulty in calculating the excise and my men are always fighting with the Government officials on the point. But you say that the excise duty on cotton is justified on the feasibility of collection.

A. I was talking somewhat relatively, of the more or less standard articles, which can be much more easily excised than the miscellaneous articles.

14732. *Q.* Cloth is not a standard article ?

A. That I will leave to experts in the trade to settle.

14733. *Q.* In answer to Mr. Coyajee you said that the specific duty is worse than *ad valorem* duty. You would on the whole recommend the present mixed system of *ad valorem* and specific duties ?

A. He asked me from the point of view of protection which was the worst offender.

14734. *Q.* But also from the point of view of workability, don't you think that the present system is better?

A. I like personally the mixed system which now prevails.

14735. *Q.* It is infinitely more advantageous than the exclusive adoption of any single system.

A. I do not think that the adoption of any single system is practicable.

14736. *Q.* I would like you to explain to me the following sentence in your evidence. "It is obviously quite impossible for example to assess machinery or even particular classes of machinery at a fixed charge per cwt. To do so would mean that taxation would bear most heavily on cheap goods."

A. I mean that the actual incidence of the taxation would be greater on the cheaper quality of goods.

14737. *Q.* That is what you mean ?

A. Yes.

Witness No. 99.

Dr. ANNIE BESANT.

Written statement.

I am confining my answers to A and B, as I have not the detailed knowledge requisite for answering the other sections adequately.

14738. *Q.* 1. Speaking generally I am in favour of free trade, but this is subject to the condition of adequate equality in industrial development in the Home country, compared with the foreign countries which are its rivals in production. I look forward to the extinction of such rivalry, and the substitution of co-operation for competition, so that articles may be manu-

factured in and exported from the country in which their raw materials are most abundantly and advantageously produced, and sufficient transport is available; but that is probably a long way off, and while competition continues, protection for infant industries—especially for those for which the Home industries have facilities in the direction of large production of the raw materials required—is necessary for their successful establishment. Whether the policy adopted be free trade or protection, I think that customs duties are one of the best means for raising revenue in India, and I should favour heavy duties on export of raw materials of which India has a natural monopoly, such as jute and some ores of chemically valuable elements, such as manganese. I consider that these natural monopolies should be used for the good of the nation as a whole, since they are the gifts of nature, and should not be owned by private individuals for their own advantage. If they are, unfortunately, so owned, then heavy customs duties on export would recover part of their value for the nation, and royalties might be imposed on such part of them as may be sold in the country of their origin, both duties and royalties to be levied for the purpose of obtaining revenue.

14739. *Q.* 2. A well constructed tariff would, I consider, be preferable in India, where fresh taxation is necessary, to an increase of direct taxation. In a well-educated nation, long in the enjoyment of liberty and of responsibility, direct taxation is in many ways preferable to indirect. Direct taxation conduces to public economy, since the citizens feel its weight, and scrutinise its expenditure. But in India, at present, where the huge majority of the people are poor and ignorant, direct taxation would be likely to make them impatient with changes in the system of Government, that would ultimately increase their prosperity. It was lately found in Bengal in villages where self-government (panchayats) was introduced, and where taxation and expenditure were under their own control, that they willingly levied on themselves and paid an increased cess, where the benefit of the expenditure was palpable under their own eyes—a promising and significant fact. But where the payment of a tax is not obviously connected with an improvement they can appreciate, it would cause resentment, and be ascribed to the political change. Under these circumstances, I would prefer, at present, indirect taxation, and would aim at removing any indirect tax which falls on the necessaries of life, and substitute taxes on articles outside these. *E. G.*, the salt tax should be removed, and heavy duties levied on all alcohols used in drinks, on the dearer tobaccoes and foreign wines imported into India, on imported jewellery, lace, glassware, toys, scents, and similar articles of luxury, (see also, on necessaries, answers to Questions Nos. 19 and 23).

14740. *Q.* 4. I am afraid that I do not discern any very distinct principles, underlying the present tariff except that it favours British goods to the detriment of Home production; thus.

14741. *Q.* 5. The tariff policy has protected English imports as against Home products, *i.e.*, has been the reverse of protection as commonly understood. The continuance of the policy will mean the continued crippling of Home industries, and the hindering of their natural expansion. It is a survival of the policy by which England destroyed the woollen trade in Ireland and the cotton trade in India. In the 14th century, England controlled the raw wool market, and spun wool into the finest thread, exporting it with a duty of 100 per cent. Flemish weavers emigrated to England from time to time, and Edward III tried to establish a native industry by importing them and settling them in the country, forbidding the export of wool under penalties of mutilation and death. Under Elizabeth, export was allowed, but was again prohibited, and only in 1825 was the law repealed. The cloth trade grew under protection. In 1463 no woollen cloths were permitted to be brought into England except from Wales and Ireland, and broad cloth was not completely made in England till 1667. In 1698, 11 and 12 William III, ch. 10 restricted the flourishing Irish industry, and three years later Ireland was forbidden to export woollen cloth except to Bristol and certain other English ports, where it was reshipped, in English bottoms at ruinous shipping dues, while English woollens were dumped into Ireland. Thus her woollen industry was ruined, her population thrown entirely on the land, with the result of famines, and with emigration to America halving her population.

The same policy was followed in India with cotton woven cloths. While English inventors were struggling to make and improve looms, 11 and 12 William III, ch. 10 prohibited the importation of Indian calicoes, which had held the world's markets literally for millennia. In 1721, 7 George I, ch 7, prohibited even their use. In 1781 bounties were given for all exported Lancashire cloth, and only when Lancashire produced more cloth than she could sell, did she adopt free trade. In 1697, she exported cotton goods of the value of £5,915; in 1908 the value was £81,350,275. The Mill industry in Bombay began about 1868, and Lancashire goods were then protected by levying a countervailing duty on Indian manufactures. Protection has again been adopted in Britain of late years with regard to dyes, and only the other day, the influx of German toys at extremely low prices, owing to the depreciation of the mark, has caused a cry for protection from British toy-makers. Under these conditions, we may perhaps be pardoned for taking a leaf out of the English book, and copying the English example.

14742. *Q.* 6. Certainly not. Protection should be for the benefit of the home manufacturer, not for that of the foreign.

14743. *Q.* 7. I would at present protect the home manufacturer against the foreign.

14744. *Q.* 8. I think not. Until India can produce cloth enough for her people. I would only raise the import duty on British cottons gradually. But I would at once place very heavy, if not prohibitory, duties on Japanese imports, because they are a far greater danger to Indian manufactures than are the British. Japanese labour is very cheap and works long hours; it is stated also, that Japanese manufactures are encouraged by bounties, but this is contradicted by Sir Dorab Tata.

14745. *Q.* 9. Yes. But with the restrictions and duties mentioned under 2. The advantages are those reaped in England in the establishment of our wool and cotton industries, and in the United States to-day. Wages and prices tend to rise together, so that the rise of "real wages" is doubtful.

14746. *Q.* 10. No. I expect that as productive industry and the standards of comfort and education are more equalised, the tendency to produce articles where the conditions are most favourable, mentioned under 1, will increase.

14747. *Q.* 16. I consider that handicrafts are necessary in villages, wherein agriculture is the main industry, and India has over 700,000 such villages. Weavers—and these included spinners—may be noticed in lists of village artificers preserved in inscriptions, and mentioned in literature long before the Christian era. The huge exports of cotton and silk goods were manufactured in villages, and Tavernier, writing in the 17th century, speaks of Kasembazar, "a village in the Kingdom of Bengal," exporting annually "22,000 bales of silk cloths," weighing "2,200,000 lbs., at 16 oz. to the lb." Such handicrafts were exercised by weaver guilds, or sub-castes, as a definite industry, and they still survive to a small extent, and with the aid of co-operative societies, or of guilds, might again flourish, side by side with mills, preferably carried on by the Trade Guilds. The old loom has had its power of production multiplied by simple additions, as at Serampur and Conjiveram, and the Madras Government has sent about parties to teach improved methods of hand-weaving. Apart from this definite weaving industry, small handicrafts such as embroidery, lace making, carving, toy-making, are always needed to accompany agriculture, and are everywhere found, as in Russia, Sewden, etc., to fill up the idle periods. This is quite apart from the fantastic crusade of the *charkha* as a weapon for the overthrow of the Government.

14748. Q. 17. I should not think so. A more real danger is a combination against the supply of machinery for an increasing number of mills, and India, at present, cannot supply herself with it, nor meet her own demand for cloth.

14749. *Q.* 18. Why not? I would exclude firms from the Dominions who object to Indian immigration.

14750. *Q.* 19. Conflicts between opposing interests will always arise until men produce for use, rather

than for profit. I include in " use " the comfortable subsistence of the producer, his wife and minor family, and provision for future subsistence, wear and tear, accident insurance, and the like (*i.e.*, capital). The conflicts which arise will gradually teach intelligent people to remove their causes.

14751. *Q.* 20. Part of it certainly, but accompanied by a rise in wages (see 9)

14752. *Q.* 21. I cannot say.

14753. *Q.* 22. Yes, for he and the whole country will profit by such development to a far greater extent.

14754. *Q.* 23. Wholesome, nourishing and sufficient food, adequate clothing (more in the North than in the South of India), decent housing with yard and garden (see Manusmriti and Arthashastra on village planning), education leisure for developing body, emotions and mind, so that each may develop all the faculties he brings with him into the world. I do not expect all this at once, but nothing less should be our aim.

14755. *Q.* 24. Yes, for (*a*) and (*b*). The position of (*c*) with a very slowly rising, or fixed, income is the most difficult.

14756. *Q.* 25. I have considered it more in its effect within the country than with regard to foreign trade. The commercial position would be better, and it would lead to increased prosperity, judging from its effects elsewhere.

14757. *Q.* 26—28. I have not regarded the question from this point of view.

14758. *Q.* 29. Some such organisation would be needed, unless periodical enquiries and revisions were preferred. The latter seem to me preferable.

14759. *Q.* 30, 32, 33. Largely for revenue purposes, but they might also be used to retain raw material, or food, in the country when either is likely to run short.

14760. *Q.* 35. On general grounds, yes, as likely to increase good feeling and to draw more closely together the nations composing the Empire. The second clause is a question of proportion, and any case arising would have to be judged on its merits by experts.

14761. *Q.* 36. Yes, because the United Kingdom gives to immigrant Indians every right of citizenship enjoyed by Englishmen. The Dominions impose on them humiliations and arbitrary exclusions. The difference is probably chiefly due to the different classes of immigrants in the two cases. In British the immigrants have been few, students seeking educational advantages or cultured men of high position. In the Colonies and Dominions they have been many, chiefly labourers seeking employment and competing with native labour, whether white or the undeveloped indigenous population; hence Indians are regarded as " coolies." But, whatever the cause, Colonies and Dominions which thus treat Indians should be excluded from trade relations, and their nationals should only be admitted into India on conditions identical with those existing in their nations with regard to Indian immigrants. This will be ensured under Home Rule.

37. I am not competent to answer this question, nor do I feel that I have studied the matter in sufficient detail to answer usefully the remaining questions.

Oral evidence, dated Madras, the 2nd February 1922.

14762. *President.*—*Q.* Dr. Besant, I see that you favour free trade, if it can at any time be reached, for all countries universally.

A. If this country is on a manufacturing equality with its likely competitors then she must adopt free trade.

14763. *Q.* As this is not so, you are in favour of protecting and developing industries by means of a protective tariff.

A. I think that a protective tariff is necessary.

14764. *Q.* You advocate heavy export duties on articles of which India has a natural monopoly, such as jute, and you claim, that these natural monopolies should be used for the good of the nation as a whole.

A. Quite so.

14765. *Q.* Have you considered the question of the buying countries substituting some other article for jute, because as a result of the heavy export duties prices would rise? We have been told in Calcutta that serious efforts have been made to find a substitute for jute. The jute values have been comparatively lower and therefore they have not succeeded in their attempts. But if we put a very heavy export duty on jute, and a substitute is found, it would be highly detrimental to this natural advantage which India possesses.

A. That might happen in any case, whether you are able to sell cheap or dear. But at present it is a monopoly.

14766. *Q.* If there is that serious risk you would rather not run it.

A. I think I should be inclined to run it.

14767. *Q.* And take the consequences?

A. Yes.

14768. *Q.* In paragraph 4 you say that you do not discern any very distinct principles, underlying the present tariff, except that it favours British goods to the detriment of home production. Then you go on to say that the existing tariff policy has protected English imports as against home products, *i.e.*, has been the reverse of protection as commonly understood. Will you please let us know a little more fully exactly what you mean?

A. I base my view on the fact that in England this protection had been used, protection of a most extraordinary kind, going so far in the early days as to impose severe penalties on the use of the foreign article. That has been the English policy throughout the whole of her dealings with nations whose trade she desired to capture. I have taken the case of wool and cotton, because I saw an answer given that the statement that England had destroyed the Indian cotton industry was based on a misunderstood sentence of a single historian. It is clear that in this case India considered protection was the right policy to pursue, but so long as England wanted herself to capture an industry which had held the markets of other countries she would not allow it. The Irish trade was destroyed in the same way. The results to Ireland were very fatal causing terrible famine by throwing the people entirely on the soil. In the case of the cotton industry a similar thing has happened. India supplied almost the whole of the civilised world with cotton fabrics. You can trace the events historically right back to the days of Egypt. There is no question of that. In England these fabrics were exceedingly popular. The English only manufactured a rough kind of cloth called " Fustian." The only way they could exclude the Indian cottons was by penal legislation. Heavy duties were imposed, and then absolute punishment for those who sold the Indian goods. . . . . .

14769. *Q.* The punishment was very severe?

A. Yes. The punishment was very severe. When they perfected their weaving machinery and had shut out the Indian products, they then began gradually to capture the Indian market itself. Having done that and producing more than what was required for England they tried to capture the world markets. During all this time India was struggling along with other countries although shut out from England. Then you come to the time when India tried to establish an industry and when import duties were levied and also excise duties on Indian mill products. This is protection upside down. I call it protection upside down because you make the conditions equal by putting an excise duty on the Indian mill products, so that Lancashire goods can be sold on equal terms with the home produced goods. Normally the home country is protected, but the excise duty nullifies it. My reason for calling it " upside down " protection was that the home country was put at a disadvantage by not being allowed to protect herself while the English manufacturer was put at a great advantage by being put in a position to flood the country with his produce. I think something like two-thirds came from Lancashire, and the fact is shown by the tremendous uproar that you have in Lancashire. To my mind under those conditions England cannot complain that we are copying her example. England found it better to be a free trade country before, but now she has found the position along some of the lines a little weak and she wants protection. I gather from the *Pioneer* that the Germans are dumping their goods

in England at prices with which it is impossible for British manufacturers to compete. There are many people who would not willingly buy toys from our ex-enemies, but a German source of origin is frequently disguised under the word "French." The Board of Trade has now appointed a committee to consider the advisability of protecting the British trade by the imposition of a special duty on imports, and while, as a general principle nothing should be done to hinder the resumption of trade by Germany with other parts of the world, the British toy makers' claim to consideration is undoubtedly strengthened by the fact that so many disabled ex-service men have found a means of livelihood in this work. If this is the case in England I do not see why India should not take action with regard to cotton. You will have to fight with the English manufacturers because they might refuse to send out machinery here if it is going to be used to produce goods to compete with their own trade.

14770. *Q.* Would you kindly explain the point that the present tariff policy favours British goods to the detriment of the home production? Do you mean the countervailing excise duties imposed on cotton piece-goods?

A. Yes. I have talked over the subject with the Bombay mill manufacturers. They complained some-time ago very bitterly of it. They are not even now really protected.

14771. *Q.* In your paragraph 8 you say that until India can produce cloth enough for her people you would only raise the import duty on British cottons gradually, but that you would at once place very heavy if not prohibitive duties on Japanese imports, because they are a far greater danger to Indian manufacturers than are the British. You say that Japanese labour is very cheap and works long hours, and it is stated also that Japanese manufacturers are encouraged by bounties but this is contradicted by Sir Dorab Tata. I understand that your idea is that India should by such action reach a stage when she should be self-contained in regard to the supply of cotton goods.

A. I think that India might be self-contained with regard to cotton goods.

14772. *Q.* You think that this is a very desirable goal to reach.

A. I think so.

14773. *Q.* If in trying to attain that goal the consumers had to pay higher prices in consequence of these duties you would be prepared to accept them?

A. I should be prepared to accept them because the rise in wages practically balances the rise in prices (This has happened in America). But I think that after a time the Indian manufacturers would produce much more cheaply than the English.

14774. *Q.* In answer to Question No. 35 you say that you are on general grounds favourable to Imperial Preference as likely to increase good feeling and to draw more closely together the nations composing the Empire. But in view of what you have stated in paragraph 1, namely, that free trade under present conditions would not build up manufactures, do you think that India under present conditions could on a reasonable basis be a party to any system of Imperial Preference?

A. No. That is why I said "On general grounds."

14775. *Q.* But under present conditions would you favour Imperial Preference?

A. No.

14776. *Sir Maneckjee Dadabhoy.*—*Q.* Dr. Besant, we are much obliged to you for coming forward to give your evidence and giving us the benefit of your ripe knowledge and extensive experience. I would like, however, to seek a little enlightenment on some of the points in your valuable written statement which appear to me somewhat doubtful. I gather from your evidence as well as from what you said in answer to the President's questions that you would without hesitation recommend a policy of protection and that you hold these views more strongly now that England is veering round towards a policy of protection.

A. Yes. It is so.

14777. *Q.* The only danger that you contemplate is a combination among machinery makers who might retard the growth of Indian industries by a sort of combination amongst themselves.

A. I think there is that danger in England. But it would not be shared in America. But I am told that American machinery does not last long. Although it is cheap it is not lasting, and it has to be constantly scrapped. English machinery seems to be more suitable for Indian conditions. Its workmanship is far stronger, and the machinery is far more lasting. But I am afraid there is danger of combination amongst machinery makers in England.

14778. *Q.* Does your reading of English history lead you to apprehend that they are at all likely to cut their own throats for the purpose of retaliating?

A. There we run the risk.

14779. *Q.* What about Germany in that case? Will not Germany be able to produce machinery and put machinery in the Indian market if England takes up that attitude?

A. I think so but I am not aware whether German machinery is as good as British.

14780. *Q.* Well, suppose England does retaliate in the point of machinery as you say could not India retaliate in some other shape? Has not India got an enormous amount of weapons in her armoury to challenge England?

A. I think so but I should regret that kind of war.

14781. *Q.* I would regret it personally myself. As it arises out of your question I should like to make it clear that India has in her armoury sufficient weapons because England is the consumer of our raw materials to a very large extent and export duties on raw materials would seriously handicap England.

A. England is practically fed by the rest of the world and therefore that is a very sound weapon.

14782. *Q.* After all the danger is not so serious when we come to consider it.

A. No.

14783. *Q.* Then as regards your remark about a heavy export duty on jute, I understood you to say that we must go on with it and take all the consequences. You don't think that there is any serious danger of any cheaper substitute being found or at least as cheap as jute.

A. I don't think that I have the requisite knowledge which will enable me to answer this point.

14784. *Q.* Then what would be the state of the economic condition in this country so far as jute cultivation is concerned? Will the land be diverted to other commercial crops?

A. I think it probable as it was very much so in the case of Indigo.

14785. *Q.* How will that affect the jute industry which has been started in the country?

A. It is a problem. It would certainly injure it, but it is all a question of balance of advantages.

14786. *Q.* It is a simple question of balance of advantages.

A. Yes. I notice that in the case of the vegetable dyes they had practically been almost killed especially in the Madras Presidency by the chemically prepared dyes, but gradually people have found that they are very much better. With the revival of industry German dyes were not difficult to obtain, but they did not last long. The taste for beauty is distinctly increasing. That might be thought to be a counterbalancing argument.

14787. *Q.* Then you recommend a heavy duty on jute.

A. I took this simply as a specimen.

14788. *Q.* You think that natural monopolies are the gifts of nature?

A. Yes.

14789. *Q.* Have you any particular knowledge of manganese? Why do you call manganese the monopoly of the country? As far as I know manganese is largely produced in Brazil and in the Caucasus in Russia and to my knowledge it has been found that manganese is at present in a flourishing condition because of Russia being in a state of upheaval due to Bolshevism and many other things. Russia had been to my knowledge in a position to put in the European market over two million tons of manganese every year. There is manganese coming from East Africa. Then Russia and East Africa are in a more advantageous position as regards freights. Why do you think in the circumstances that manganese is an Indian monopoly?

A. Well, during the war it came very much to the forefront. That is why I took that simply as a specimen of what I meant.

14790. *Q.* After what I have told you, would you qualify your statement?

A. I should qualify it as soon as the other countries are able to produce large amounts.

14791. *Q.* After all the toal export of manganese amounts to about 400,000 tons. For the last few years the average has been this, and any duty on this will not produce much.

A. (No answer.)

14792. *Q.* Then coming to your remark about the salt tax, you plead for the removal of the salt duty?

A. Entirely.

14793. *Q.* May I have a little more information on that point? Do you think that under the present condition of things the existence of the salt tax is oppressive? Does it affect the masses?

A. It affects the masses because they are so miserably poor that even a small tax makes a very great difference in the budget of the peasantry. Again it is a tax which it is difficult to enforce because salt is produced by all sorts of ways in India. People try and smuggle it and then follows a painful prosecution where some miserable woman has been prosecuted for infringing the salt tax. Another reason that I have is that at the time it was instituted there was trouble about famine. The salt tax was promised to be put aside as a tax to provide an insurance against famine. The insurance fund has been entirely changed. The salt tax has become an ordinary revenue tax. With a country so largely vegetarian as India, salt is peculiarly necessary. Vegetables without salt are most unpalatable and it is necessary also largely to the health. I would get rid of any tax if the necessaries could be very cheaply produced in the country itself; that is most essential. It seems to me to be a hard and cruel tax on the people.

14794. *Q.* Your main ground is that orfginally when it was imposed it was imposed as a famine insurance, that the object was not fulfilled and that it has become an ordinary revenue tax.

A. Yes, and partly because it is of an exceedingly burdensome nature.

14795. *Q.* Have you worked out the incidence of the tax on the poor ryot?

A. Some years ago I went into it very carefully. The peasantry I found had not been able to get sufficient salt. I have not all the figures in my mind at the moment. That was my opinion about it six or seven years ago.

14796. *Q.* In paragraph 8 you make a very interesting statement. I myself was considering this matter and I should like a little further elucidation. You say that our greatest competitor is going to be Japan?

A. Yes.

14797. *Q.* I understand that you advocate a differential treatment in the case of Japan as against the United Kingdom.

A. Yes.

14798. *Q.* I should like you to let us know from your knowledge of other countries whether such differential treatment is tolerated in any other country?

A. Exactly the same conditions have not arisen before. This is a competition between two Eastern countries and the labour there is in some cases cheaper than here. As regards the last point about bounties I am not quite convinced. I had always understood from what I read before that there was some kind of preference on bounties given to the Japanese industry for capturing the Indian trade. Sir Dorab Tata is a great authority and I thought it fair to mention his views. I heard him speak at the Economic Conference from the presidential chair.

14799. *Q.* So you think that we would be justified in treating Japan on a differential basis.

A. Yes, on that ground largely.

14800. *Q.* And then we would be further justified by the fact that during the war Japan dumped her cloths into this country.

A. Yes, she flooded the country. She is very clever in these things. She is manufacturing Khaddar at the present time in order to get the Khaddar market which is supposed to be the patriotic market at the moment. She is manufacturing khaddar now in order to get the trade.

14801. *Q.* There would be nothing intrinsically wrong from the tariff point of view in imposing a separate duty like the one you suggest.

A. I think not. Japan, if I may say so, is not pursuing an honest trade. She sends over here admirable goods in order to get orders and when the orders are given, the goods that are delivered are 6th or 7th rate quality. I do not know about this personally except in the case of matches. Somehow some of these match boxes came into my office. I had to waste nearly half the box before I was able to strike one. A number of the sticks did not contain phosphorous at all.

14802. *Q.* They have not got strict factory regulations as we have here.

A. They have no regulation to carry out at all.

14803. *Q.* There is another question connected with this. If we put a very heavy import duty on Japanese cloth, could Japan possibly retaliate?

A. I don't think so

14804. *Q.* She could not dispense with Indian raw cotton?

A. Certainly not raw cotton.

14805. *Q.* India is the nearest market.

A. Also transport is cheaper.

14806. Q. The chances of retaliation are almost infinitely small.

A. They may be disregarded.

14807. *Q.* In the case of America which also puts goods in the Indian market?

A. She would not have the advantages which Japan has of being near and of having cheap freight. I have not thought over this much.

14808. *Q.* In paragraph 16 you refer to the preservation of the handloom industry. There are one or two questions in this connection which I would like to ask you. We have been told that we could safely put a duty on yarn imported from England. I would like to have your experienced opinion on this subject. Do you think that it would injure the handloom industry of Madras or the handloom industry of India generally?

A. I do not know.

14809. *Q.* You have not given any consideration to that.

A. No.

14810. *Q.* Have you got any special scheme of protecting this handloom industry in your Presidency?

A. The Madras Government has taken a great deal of pains in sending out weaving parties in order to teach the handloom weavers who are remaining better methods of production by making certain small changes in the handloom costing about Rs. 10 or so. I have seen more of these used in Bengal. The Madras Government I have noticed are really active; they are not leaving matters entirely to private enterprise. Of course I am very much in favour of protecting the industry through co-operative societies in regard both to spinning and weaving. It seems to me it is only by that way that they would be able to hold their own against the mill industry. In this connection might I add a point which is not mentioned in the written statement. The other day I was reading the evidence of the Chamber of Commerce, Madras, submitted before this Commission and the point about the gold thread particularly struck me because I have had some experience and I take a great interest in it. Now the foreign thread gets tarnished whereas the Indian gold thread lasts almost any number of years. I put on this (here the witness showed a scarf) deliberately this morning.

14811. *Q.* It would be a great pity to destroy this industry.

A. It has no rival practically.

14812. *Q.* Does it need any special protection or will it be able to stand without protection because it is unrivalled?

A. I don't think that it needs protection.

14813. *Q.* You think that it must maintain itself.

A. I think so. It is unique. It is strong enough to hold its own. It is thousands of years old. It is the mill things which it seems to me need protection, and not these handloom things which are admittedly wonderful and have been characteristic of India ever since three or four thousand years before the Christian era. The English thread tarnishes while the Indian thread will be ever as good as it was at the beginning. I have often seen it said that India does not use higher counts. While that may be true of the mill industry, it is not at all true of the handloom industry.

14814. *Q.* What is the highest count used?

A. In Bengal 120 counts are used.

14815. *Q.* Then as regards the agricultrual industry, in your solicitude for it you also recommend embroidery, lace making, carving, toy making to accompany agriculture.

A. Yes.

14816. *Q.* Will you give us some scheme by which this may be done?

A. My reason is that in agriculture you have long periods of comparative idleness and that in every country which depends on agriculture, they have these industries. Take Russia which in many ways is more like India than any other country. They had the most wonderful embroidery right up to the time when Russia fell into chaos. I find the same in Norway and Sweden; the same in Switzerland. In England also if you go to Cumberland you find the most wonderful wood carving but it has now disappeared. The articles of furniture in the labourer's cottage are all made by himself in his idle times. You cannot I think make agriculture sufficient to maintain thousands all through the year. That is why I am so strongly in favour of the village industries. They used to have them and having them the country was wealthy. Everybody admits that India was wealthy and in my written evidence I have referred to the village of Kasembazar. Now the weaver caste is gradually diminishing in numbers. If there is good occupation in the villages, men will not flock to the cities. That is why I am so earnest about village industries.

14817. *Mr. Jamnadas Dwarkadas.*—*Q.* We have been told by many witnesses who have advocated free trade that the agricultural population of India is likely to suffer if a policy of protection were adopted. Now don't you think that at present a large portion of the population depends mainly on agriculture?

A. Yes, but of course very many go into mills at certain times of the year; specially in Calcutta there is a floating population of temporary mill hands. I want to keep them in villages.

14818. *Q.* If this inter-dependence continued between agriculture and industry don't you think that in times of famine (the dangrs of which you have pointed out) the resisting power of the people would be far better?

A. If they have industries, then their income would increase very much and even supposing the foreign cloth grew dearer, it seems to me that the members might be engaged in village industries instead of flocking to the towns under very bad conditions. This would balance any loss which they might have to suffer in regard to the purchase of cloth.

14819. *Q.* You would advocate the industrial growth of India because that would mean less reliance solely on agriculture.

A. Surely. India was prosperous when she had both and she is not prosperous now.

14820. *Q.* Coming to your answer with regard to an export duty on jute, I should just like to ask you one or two questions. You said that you would risk the dangers of a substitute being found. Do you not think that the finding of a substitute is more the result of a scientific research than the result of an export duty?

A. Entirely.

14821. *Q.* Take again the case of indigo. It was not discovered because there was an export duty. It was a matter of scientific research. If a substitute were found which came to the price of jute with the export duty, it would be possible for us to remove the export duty afterwards.

A. You could remove it at any time.

14822. *Q.* After all the danger is not really great.

A. I am prepared to risk it.

14823. *Q.* Now with regard to the question of Imperial Preference, you said in answer to a question put by the President that you would not advocate Imperial Preference under present conditions.

A. No.

14824. *Q.* I should just like to ask you a further question. If it was found that the adoption of a policy of Imperial Preference means a real economic loss to India, would you ever contemplate adopting the policy of Imperial Preference in India?

A. I have said in answer to the second clause of the question that any case arising would have to be judged on its merits by experts. As I do not know the details my approval of it is on the general ground that as civilisation advances I hope that nations will produce goods not for profit entirely and so will get rid of the continual struggle which inevitably leads ultimately to war. It is part of the general theory of human life and for that reason I say that on general grounds I am in favour of the idea of Imperial Preference. But in view of the special circumstances now existing I cannot be in favour of such a policy being put into practice because I am told by those who understand exports and imports far better than I do, that it would be a distinct loss to India in the foreign markets.

14825. *Q.* Do you know of the case in which we have had some experience of the policy of Imperial Preference, *viz.*, the export duty on hides and skins?

A. The result of it is practically disastrous. It made several rich merchants bankrupt.

14826. *Q.* Now coming to your answer to Sir Maneckjee Dadabhoy about differential treatment as between England and Japan, do you know that Japanese factories are allowed to work for 22 hours?

A. I believe so in some cases, long hours and low wages.

14827. *Q.* Sir Maneckjee asked you whether there was any likelihood of Japan retaliating. You said you thought not. But is there any likelihood of Japan retaliating at all? Japan imposes a duty of 30 per cent. on imported manufactured articles. It could not retaliate much more?

A. No. On the question of decision about differential treatment, I think my answer to Question No. 36 is explanatory to some extent.

14828. *Q.* That is with regard to the Dominions?

A. The same principle cannot be applied. You might use the tariff for retaliation where the Indian is badly treated.

14829. *Q.* You are aware that so far as the cotton industry is concerned there is greater competition between Japan and India than between England and India.

A. Yes.

14830. *Q.* Because England produces cloth which India to a large extent does not produce. At the same time you know that most of the population use coarser cloth and not the cloth manufactured in England. Even if you have an import duty for revenue purposes or for any other purpose, and even if any one has to pay higher prices for that, it is the people who belong to the richer classes or better classes who will pay?

A. I have been told that a considerable number of cheap foreign dhoties are sold among the agricultural labourers but I have heard the complaint made that they don't wear as well as those produced in India. So, I doubt whether the difference in the economic price is not *nil*, because they have to buy more frequently in the other case. I don't think that you can put on a heavy duty at present, because an enormous quantity comes from Lancashire, something like two-thirds. You cannot shut that out of the country without making the people go naked. Until the mill industry and the village industries are more capable of supplying India's needs I should be very careful in what I did with regard to cotton manufactures.

14831. *Q.* Do you think the existing duty is too much?

A. No, but I would take away the 3½ per cent. excise duty.

14832. *Q.* In answer to Question No. 29 you say: "Some such organisation would be needed, unless periodical enquiries and revisions were preferred. The latter seem to me preferable." Could you kindly tell us why you prefer periodical enquiries and revisions to a permanent organisation?

A. The question dealt with the periodical readjustment of tariff rates. It seems to me that a permanent organisation would mean a permanent staff which will probably be more expensive. And it would be better, when there was a feeling in the Assembly that a readjustment was wanted to appoint a commission to suggest the rates.

14833. *Q.* Under any circumstances, if you appoint a permanent organisation it will be an advisory body to the Legislative Assembly and the ultimate decision will have to be made by the Legislative Assembly.

A. Quite so: but still it would be more expensive to have a permanent organisation.

14834. *Q.* If you have a permanent organisation you can get rid of the complaint that a policy of protection might prove dangerous to the interests of the consumers. If there is a permanent organisation it can annually revise the tariff.

A. Yes, but I do not lay very much stress on the danger to the country of a policy of protection.

14835. *Q.* You do not think that India has had sufficient industrial growth to think of the dangers of over-industrialisation?

A. Not at present.

14836. *Q.* Now with regard to export duties you say that you would have export duties largely for revenue purposes and that they might also be used to retain raw material, or food, in the country when either is likely to run short. Take the case of raw materials which are at present exported to foreign countries, but which if there were an export duty would be used in India for manufacturing purposes. Would you in that case recommend an export duty on such raw materials?

A. I want to keep it in India until India's needs are satisfied. At the present time much of it goes out and comes in as manufactured cloth. That seems to me a little absurd, specially if it goes to Japan.

14837. *Q.* Now, in the matter of food-stuffs, would you recommend an export duty only in times of scarcity or in normal times also?

A. In times of scarcity. I am especially thinking of that, but I am not sure that it would not be better for the Government to act directly in this case, not by means of a duty but by means of prohibition.

14838. *Q.* You think prohibition would work better than an export duty?

A. Yes. It is of course a very old idea held in India that the King of the State should keep within his State sufficient food for the people of the State. I hold that the Government's first duty is to feed the people.

14839. *Mr. Mant.*—*Q.* Dr. Besant, just now Sir Maneckjee Dadabhoy asked you whether you knew what the incidence of the salt duty was. I have looked up the figures and I find that in 1905-06 when the duty was Rs. 1-8-0 a maund the incidence per head per annum was calculated at 3·4 annas; in 1912 when the duty was Re. 1 a maund the incidence was approximately 2·4 annas; the duty is now Re. 1-4-0 a maund. So you can take it that the incidence per head per annum is something under 3 annas. Do you think that is a very heavy burden on the population?

A. Where the annual earning is so small, certainly 3 annas counts. I think the fact of the reduction shows the feeling on the part of Government that it is a tax which ought not to be levied.

14840. *Q.* The past practice of the Government has been to reduce the tax in periods of prosperity and to treat it as a reserve to be called upon in periods of financial adversity. It has always been their policy to keep it as low as possible.

A. Quite so.

14841. *Q.* In the first paragraph of your written evidence you refer to the natural monopolies such as jute as the " gifts of nature " which " should not be owned by private individuals for their own advantage." Do you think it would be practicable to nationalise the growing of jute?

A. It is privately-owned at present. That is why I have said that where they are owned in this way customs duties and royalties should be levied. If the land were recognised as belonging to the nation as a whole, so that the land tax became the rent of the individual paid to the nation, the land that grew jute might have some heavier tax put upon it. You could not nationalise a single industry in that way. It could only be done where it is recognised that the land is the property of the whole nation.

14842. *Q.* Our land revenue in the temporarily settled provinces comes very near to that system.

A. It is acting in that direction.

14843. *Q.* But unfortunately in the jute growing areas we have the permanent settlement?

A. Well, hopes are not lost, as in the case of the Partition! I have put in customs duties and royalties as the second best.

14844. *Q.* In paragraph 4 you say that the present tariff favours British goods to the detriment of home production. You have already explained what you mean by that, but I want to ask you whether you mean that it favours British goods as distinct from other foreign goods, *i.e.*, whether it gives any special preference to British goods.

A. No.

14845. *Q.* You really mean that it favours foreign goods?

A. Yes. I do not know exactly how the cotton duty acts. I think very little of cotton goods comes into this country except from Lancashire and Japan. I had in my mind the cotton industry specially.

14846. *Q.* In paragraph 5, you have given the history of the past economic relations of Great Britain and India. I want to ask you whether you have read Professor Hamilton's recent book on that subject: " The Trade Relations of England and India."

A. No.

14847. *Q.* It is worth reading. It brings out two points:—first that these measures that you have referred to were directed not specially against India but were directed against all foreign cloth which competed with English-made cloth. In fact in the first half of the 18th century the policy of Great Britain was purely Swadeshi. The law which you have referred to, 11 William III, ch. 10, did not prohibit the importation of Indian calicoes. It prohibited the wearing of certain kinds of cloth.

A. The selling of it and the owning of it.

14848. *Q.* They were allowed to be imported, and to be re-exported. England was a very valuable market for India, because Indian goods were imported into England and then exported to other countries. It was the wearing that was prohibited in England to some extent.

A. You could neither buy nor sell.

14849. *Q.* They could buy and export. It was not a special differentiation against Indian goods, but against all foreign goods of certain descriptions, which competed with the woollen and silk manufactures of England.

President.—*Q.* Was there any other country except India which was manufacturing cotton in those days.

A. (*Dr. Besant.*) That was the question I was going to ask. (*Mr. Mant.*) I do not know of any. But similar measures were taken against the silks of Persia and China, the woollen manufactures of Ireland, and the lawn and cambrics of France.

14850. *Mr. Mant.*—*Q.* The general policy was pure Swadeshi. The first point is that the policy was not specially directed against India.

A. I do not say it was directed against India, but it was destructive of Indian trade, because India was the one cotton manufacturing country.

14851. *Q.* Another point that Professor Hamilton makes is that the British market was very small in proportion to the other markets for Indian products which were opened up by English traders and that as a matter of fact the Indian textile industry was not ruined by the measures taken against it by England; it was ruined mainly by the growth of machine-made goods which ousted the hand industries.

A. To some extent.

14852. *Q.* I just wanted to explain this view. Then, in regard to Japanese imports you are aware, I suppose, that we are a party to the British treaty with Japan which gives the most favoured nation treatment. It is the usual practice amongst civilised nations to have this favoured nation treatment. Don't you think it would be a serious step to take to break off that treaty and to depart from the general practice of favoured nation treatment?

A. I do not think it would be so serious as permitting Japan to ruin Indian industries by sending over her goods in the fashion she does. I mean in all parts of the British Empire fiscal autonomy has been given. I do not see why India should be stopped from dealing with Japan on her own account.

14853. *Q.* Assuming that you adopt a protective policy don't you think that it would be advisable to consider first whether it would not be possible to effect the same object without denouncing the treaty, by imposing say higher duties on particular classes of goods which are mainly imported from Japan?

A. That will be the same in principle.

14854. *Q.* That is just how tariffs are framed to avoid the infringement of such treaties!

A. It would be dodging it a little.

14855. *Q.* They do dodge the favoured nation treatment.

A. That might be preferred provided the thing is done.

14856. *Q.* There is only one other question, and that is your suggestion that makers of British machinery might combine and refuse to send machinery to India.

I do not quite understand why you fear that they might combine.

A. The reason would be: it is quite natural that Lancashire does not wish that there should be a very large production of Indian goods here, because there would then be less call for Lancashire goods. They are a very powerful party in England, and I think it is quite possible that they might endeavour to prevent the machinery that would be wanted by a large additional number of Indian mills coming over here.

14857. *Q.* Do you mean that they would prevail upon the State?

A. They might prevail upon the machinery makers.

14858. *Q.* The Lancashire mill-owners are not I understand, makers of machinery. In business it would take a long time to persuade one trade to cut its own throat for the sake of another.

A. But such things are done. They might take the general interest of the nation.

14859. *Q.* They might be actuated by patriotic motives, you mean?

A. Yes. I think the real answer would be more and more production of machinery in India.

14860. *Mr. Birla.*—*Q.* To pursue the question of finding substitutes for jute a little further. You propose a heavy duty on jute exports. Are you aware that when the price of jute cloth went up to 8 annas a yard paper substitutes were used in Germany and all the enemy countries? Are you aware that after the war when the price of jute cloth came down to 2 annas per yard, the manufacture of paper bags was stopped because it could not compete with jute bags? Does this not show that the risk of substitutes being found is always greater when the prices are higher and less when prices are low.

A. I have already said I would take the risk.

14861. Q. Will you explain what advantages you would get if you take the risk?

A. There are many advantages. The jute bag is so much more useful than the paper bags. If they manufacture paper bags, I would face the competition on the superiority of my article, but if I find the duty goes too far to stop the sale of jute bags, I would reduce the duty.

14862. *Q.* When the cultivators find that they are not getting a good price for their jute they might reduce the area under cultivation.

A. They might substitute something for jute. Supposing that the outside manufacture of paper bags, or whatever else might be substituted for jute bags, created less demand for jute than there is now, it would not be very difficult to utilise the land which produces jute for some profitable crop—it is good land.

14863. *Q.* But the question is how our industry will be benefited. If less jute is grown in this country, that might injure our own industry.

A. You are supposing that the value of the jute goes down because of the duty on jute goods. My answer to that is that until the duty takes away our advantage of the monopoly, you would keep it. If not you could either reduce the duty or remove it: it is not an immovable thing. If jute ceases to be valuable at all as an article of commerce, then the land can be used for some other crop—it is good land.

14864. *Q.* You also want to impose heavy duties on other raw materials to retain them as far as possible in this country.

A. I want to retain in the country all the raw material that can be manufactured in the country so as to avoid all difficulties of freight, etc.

14865. *Q.* But suppose we have not sufficient factories to consume all such raw materials.

A. Then I should export.

14866. *Q.* In answer to Question No. 2, you say you would aim at removing any indirect tax which falls on the necessaries of life. Would you kindly explain what you mean?

A. I would not have customs duties on an article of food which is a necessity for all.

14867. *Q.* We do not import foodstuffs: we export.

A. Supposing something is brought which is a necessary of life in India, I would prefer to have no duties on it. At present, I admit, it is better to have an indirect tax by a customs tax, although I prefer on principle a direct to an indirect tax.

14868. *Q.* Do you include cloth as a necessary of life?

A. Certainly, I do,. I have included clothing.

14869. *Q.* Would you like to remove any customs duty on the import of cloth?

A. If you will look to another answer, I say there: "Until India can produce cloth enough for her people, I would only raise the import duty on British cottons gradually."

14870. *Q.* That was what I was going to ask. At one place you advocate the imposition of an import duty on cloth, and in another place you want to remove any indirect tax that falls on the necessaries of life.

A. All these questions are questions of balancing. My ultimate idea of taxation is that it ought to be direct, but that implies considerable education in the mass of the people and control over their own legislation.

14871. *Q.* In answer to Question No. 16 you say: "This is quite apart from the fantastic crusade of the *charkha* as a weapon for the overthrow of the Government." What do you mean by that?

A. I do not want to be supposed to be advocating the *charkha* as an instrument for destroying the Government, because it would be a most inappropriate one.

14872. *Q.* You would not be against the *charkha*?

A. No. I have been in favour of it for long.

14873. *Mr. Seshagiri Ayyar.*—*Q.* Do you know that those who advocate free trade always refer to the present condition of England which is flourishing under free trade?

A very eminent writer speaking of the free trade policy of England says that the nature of the trade of other countries and of Great Britain is different, Great Britain being unable to provide herself with sufficient food and raw materials. He means there is not enough food and raw materials in the country, and therefore England has to be a free trade country. That condition does not apply to India. We have got enough food for our people, and we have got more than enough raw material, and therefore the analogy of England cannot apply to India.

A. Certainly so. Even with regard to England, I think it has been considered,—it was a point some of us put forward over 40 years ago,—that in case of war England would be in very great danger, because the greater part of her food is sea-borne. The sub-marine was a great menace in that respect. England could not exist three days without the import of food. So the great diminution of arable land is a great danger even in her case.

14874. *Q.* There is no such danger to this country?

A. No.

14875. *Q.* I would ask you a few questions about the handloom industry. You expressed your opinion that it does not require protection.

A. I have not thought of it from that position.

14876. *Q.* You would not take away the little protection that it enjoys now? Would you advise the imposition of a duty on yarn, which is now admitted free?

A. No.

14877. *Q.* If the excise duty on mill made cloth is removed, the present protection which the handloom industry enjoys over the mill industry would be taken away.

A. I do not think there is so much competition now. There are more people to be clothed than there is cloth. The excise duty is an attempt to equalise the mill manufactured goods between the two countries.

14878. *Q.* I believe you have been sufficiently long in Madras to know that if there is a famine, the persons who are first affected are the weavers.

A. Yes.

14879. *Q.* Immediately there is a famine, the Government have got to arrange for feeding these people in camps and so on. That is because they are selling at the highest possible price and it is not possible to put higher prices.

A. Yes they are almost on the verge.

14880. *Q.* Would you under these circumstances do anything to make their position worse?

A. I should certainly try to avoid it.

14881. *Q.* You say that the agriculturists of this Presidency at any rate have only seasonal work, that is they work only during particular seasons.

A. Yes.

14882. *Q.* The earnings that they get during that season have to be utilised for the whole year, and as a result of that large number of these agriculturist labourers migrate to other parts where they can find

labour throughout the year. Therefore, if there is employment throughout the year which would supplement the earnings of these agriculturist labourers it would greatly help the labourers and would also help the handloom industry?

A. I think so.

14883. *Q.* As a matter of fact the persons who are engaged in agricultural work can during the morning hours and after return from their labour take to this handloom industry. If they do that they might augment their earnings.

A. Yes.

14884. *Q.* Would you give facilities for the people augmenting their earnings in this way?

A. Certainly.

14885. *Q.* What device would you adopt to help them to take up this auxiliary work?

A. I would add weaving and other auxiliary industries to the regular school course in primary schools.

14886. *Mr. Coyajee.*—*Q.* With regard to the scope of protection, would you begin by protecting nascent industries?

A. Yes I think it is the better way.

14887. *Q.* However, you say you would not put customs duties so much on articles of general necessity.

A. I would try to avoid it.

14888. *Q.* In your answer to Questions Nos. 30 to 33 you say that export duties might be used to retain raw material or food, in the country when either is likely to run short.

A. Yes.

14889. *Q.* However you would wait and see whether the raw material is required for our industries or not before putting on export duties.

A. When raw materials run short for our local manufactures. export duties should be resorted to.

14890. *Q.* That is the scope of your protection.

A. Yes.

14891. *Q.* Now coming to the historic sketch, your argument is that England used penalties and import duties to kill the Indian trade in piece goods. There is one point which, however, I do not understand. There were French and Dutch merchants in India and they were not against using Indian cloths. Why should they not have taken our goods to Europe?

A. Why should they? I don't know what they did. They might have consumed Indian goods. Besides, the French and the Dutch like the English were all intent on getting possession of the various parts of India, because of the enormous wealth.

14892. *Q.* But foreign competition from France and Holland might have prevented Lancashire from protecting her industry.

A. I am dealing with the relations between England and India and not the relations between England and other countries.

14893. *Sir Montagu Webb.*—*Q.* I understand you are generally a free trader.

A. In principle. Where countries are equally placed I am in favour of free trade as tending to avoid war.

14894. *Q.* You recommend the principles of free trade so that first of all you may get your articles cheapest for the individual and you may have the greatest margin of saving; and you also want to promote what free traders call peace and good will. I particularly lay emphasis on this because some men, (Mr. Seshagiri Ayyar) for example, just referred to the fact say that England was free in trade because it had to import and it had also to get its raw materials.

Mr. Seshagiri Ayyar.—May I correct that I did not say that. I only mentioned what a writer had said.

Sir Montagu Webb.—May I know who that writer is?

Mr. Seshagiri Ayyar.—It was Mr. Armitage Smith.

14895. *Sir Montagu Webb.*—*Q.* I should like to lay emphasis on this, that the basic reason why England has been a free trader is that it provides for the most economic production of commodities and tends to promote peace and good will.

A. I don't know whether I can put it that way. Normally speaking the English policy has been to protect to its own advantage.

14896. *Q.* The belief is, and that I think is incontrovertible, that by removing all hindrance to free exchange you naturally get the cheapest production for the individual and the greatest marginal saving left for the nation. It is the ideal state of affairs, I believe, that is beyond controversy, isn't it?

A. I don't think that is the reason why England is a free trade country. It seems she was protecting her industries at first. Then when coal and iron were found in enormous quantities and they were found to be of advantage in making machinery, she utilised them in making machinery. This machinery was found to produce articles on a very large scale, and so she became a free trader. That seems to be the course through which free trade has come.

14897. *Sir Maneckjee Dadabhoy.*—*Q.* That is a policy of optimism.

A. Yes I think so.

14898. *Sir Montagu Webb.*—*Q.* Leaving aside history, do you accept that it is beyond controversy that freedom of production and exchange produces the cheapest results and the greatest savings?

A. That is merely a matter of economic theory.

14899. *Q.* If it is not incontrovertible, I should like to hear your reason for the non-acceptance of the theory.

A. I can not leave out history when I am considering economic facts, or the laws of nature when applied to particular cases. Because though the laws of nature are unalterable, the circumstances under which they are applied may make very great differences in their results.

14900. *Q.* I think that has been the reason why you are in favour of free trade.

A. I merely explained how England became a free trader.

14901. *Q.* When you hold the general free trade principles, you base it on some other grounds.

A. Certain interests generally guide human affairs. One of these interests is that the necessaries of life should be exchanged with as much advantage as possible. Their one desire is to see that everything should be produced in a place where they can be most easily produced and transported. That is the general theory. I should say that England adopted her policy to suit her advantages. India is now in a suitable position to take up the means by which England became wealthy.

14902. *Q.* Now coming to the historic portion of your note, you go back to the 14th century. We should like to know whether you think that we should be justified in following a policy of five centuries ago.

A. Generally not. But there are some principles which were adopted very far back which may be applicable at the present time.

14903. *Q.* Do you think that England in those days acted wisely?

A. I think so. It was very sensible.

14904. *Q.* Should we be safe in concluding that it does not follow that what was good in the 14th century is necessarily good now?

A. It may be much better now.

14905. *Q.* We have heard much evidence which reveals a general belief that nearly all the fiscal regulations in England were directed against India. Mr. Mant has already pointed out that many of these regulations were of a general character and not particularly directed against India though they did affect her.

A. No. But there is one point to be considered. India in the 18th century came more and more under the control of England. A country which is independent is in a different position from one which is subject.

14906. *Q.* Take the Dacca muslins. My impression is that the French Revolution was largely responsible for the decrease in the demand for Dacca muslins.

A. Indian cotton was not affected by the French Revolution. The goods went to Egypt, Syria, Rome and so on.

14907. *Q.* There seems to be an impression that the Indian cotton industry has been somehow engineered out of existence by the diabolical machinations of Lancashire. I admit that Lancashire has taken certain steps in its own interests, but I do not think that is the correct representation of history.

Sir Maneckjee Dadabhoy.—We have it recorded in history that the thumbs of the weavers were cut off.

Sir Montagu Webb.—There are many deplorable facts recorded in history.

President.—He is only pointing to facts,

Sir Montagu Webb.—Was the disappearance of this cotton industry mainly owing to the fiscal regulations of England?

A. It was mainly due to the policy of the East India Company which was backed by the Parliament in England. It at first gained possession of the manufactures of India and transported them to England at enormous profits. When Lancashire began to come in, the production of more and more raw materials was encouraged, and the manufacture was discouraged in India. I regard the policy of the East India Company as absolutely disgraceful and scandalous in every respect. The East India Company is mainly responsible for the destruction of the Indian industry.

14908. *Q.* Do you suggest that a policy of retaliation should be adopted?

A. No. I think India should be given time to recover herself before she can trade on equal terms with England.

14909. *Q.* Do you mean to say that the present tariffs favour British goods?

A. No, it is beginning to change.

14910. *Q.* Is that due to the Reforms policy?

A. And partly also to Mr. Montagu's obstinacy in the House.

14911. *Q.* You fear that there may be some combination in England to prevent the import of machinery into India thus preventing the growth of Indian industries. I don't think the present tariff has affected India harmfully.

A. No. I say the combination is possible when India becomes a rival. At present it is not.

14912. *Q.* In that case some other country may try to deprive England of her trade.

A. I think it is possible.

14913. *Q.* Do you favour export duties in normal times with the object of checking the export of raw materials from this country, quite apart from times of scarcity? It has been pressed upon us that export duties are desirable with the object of retaining raw materials in this country, if those raw materials can be used in this country. We know of no country in the world, not even the most highly protectionist which puts on export duties.

A. My object in putting on such a duty would rather be the need for money here to make improvements, that is for revenue purposes.

14914. *Q.* That of course is quite harmless.

A. Yes.

14915. *Q.* I understand that your intention is to assist this country in a reasonable development on its industrial side.

A. Yes. Partly also because my body belongs to the West, and I wish to make amends to India for the great harm that has been done her by the West.

14916. *Q.* That is a feeling shared by many modern thinkers.

A. I think so.

14917. *Mr. Narottam Morarjee.*—*Q.* In answer to Question No. 17 you say "a more real danger is a combination against the supply of machinery for an increasing number of mills." But you know very well that India is the largest buyer of Lancashire goods.

A. Yes.

14918. *Q.* It will be to the interest of Lancashire if she put a heavy duty on machinery.

A. Yes if India become a serious rival, but India has not got the capacity to produce finer counts. That will take a number of years.

14919. *Q.* How long will it take?

A. More than 50 or even a hundred years. It is a very remote contingency.

Witness No. 100.

Mr. A. J. LEECH, of Messrs. T. A. TAYLOR, & Co. Ltd., Madras.

Written statement.

14920. *Q.* 1. I favour Free Trade as a whole but should prefer to call it "Fair Trade," for, if it were a case of dumping at less than cost price, steps should be taken to counter it. There is no objection to assistance in starting new industries that have a good chance of becoming self-supporting, and I should favour such protection, but should prefer it in the way of *subsidies*, rather than *import duties* for protection purposes only, and *there should always be a limited time to such protection*, otherwise it becomes a vested interest, from which, experience has shown, it is most difficult for a country to shake itself free.

Import duties for revenue purposes are almost a necessary evil, but they enable the manufacturer in India to increase his price to the extent of the duty and pocket the difference. Thus with a duty of 11 per cent., supposing the cost of manufacture in India to be equal to the landed cost of foreign goods exclusive of duty, he can add say, 11 per cent. to cost and still sell at the same price as the imported article. In other words the masses pay more than is necessary for their wants and the excess paid goes to enrich the capitalist. This is the disadvantage of tariffs as against direct taxation.

If import duty is necessary for revenue, it would be fairer to the consumer to impose a reduced import duty making up the shortage in revenue by imposing a corresponding excise duty. Thus, presuming for simplicity of calculation that the imports of a certain article are equal in quantity to the Indian-made goods, an import and excise duty of 5½ per cent. would produce the same revenue whilst reducing the sale price of the article by 5½ per cent. Government will be as well off and the masses would pay 5½ per cent. less for their requirements.

India is a poor country and the masses want cheap commodities. The necessaries of life for the poorer population should not be dutiable, even with a countervailing excise duty, if it could be helped, though articles of luxury might well be taxed.

14921. *Q.* 2. *Theoretically* I prefer increase in *direct taxation*, and the income-tax and house-tax are the fairest methods of all. Only, it must be pushed home and applied to all incomes whether agricultural or otherwise and the big fishes should not escape the net. *Practically* I realize the difficulties of direct taxation, the wide field it gives for evasion, and the unrest it would cause if Income-tax went over an anna or two per rupee. Taking it all round, if revenue must be had and if it is considered that direct taxation is too difficult or likely to cause too much trouble, then a small all-round tariff on everything except perhaps, on the ordinary necessaries of life, food, clothing, etc., for the poorer classes, might be levied. Countervailing excise duties should be paid on everything possible.

3. I have not gone into details but broadly I should favour by low duties: (1) Machinery to encourage manufactures here, also agricultural implements, etc., (2) articles used largely by the lower classes, food and clothing principally, (3) anything that assists cheap communications such as railway material, trams, commercial motors, air-traffic, etc.

14922. *Q.* 4. See No. 5 below.

14923. *Q.* 5. The existing policy, which was, until recently an import tariff for revenue only, was scarcely sufficient to interfere seriously with free trade or to materially benefit Indian industries though it must have tended that way. Comparatively few of the imported articles were seriously manufactured in this country. The Cotton Weaving Mills were about the only big industry and to them no protection was given, as a countervailing excise of 3½ per cent. equalised the import duty. This countervailing excise had, however, the effect of ensuring that Government got the full benefit of the 3½ per cent. which the buyer paid extra. It all went into the Government chest and none of it into the Indian mill-owner's pocket.

When the import duty was raised to 7½ per cent. with no additional countervailing duty, Lancashire was penalised to the extent of 4 per cent. This change, in itself, had little effect on Indian industries beyond the fact that it enabled the mill-owners to raise their prices a little higher. At that time the War prevented Lancashire cloths from being shipped freely, and the Indian Mills were reaping big profits, working full blast, and being extended as rapidly as machinery could be got. They, however, did not sell at what might be called reasonable profits, but based their prices on the famine rates that were being paid for Lancashire cloths. In other words, Manchester made the market prices and the Indian mills followed her lead, just keeping about the same distance behind as they did in pre-war days. The extra 4 per cent. import duty against Lancashire enabled the mills to raise their rates by about the same extent. If an excise of 4 per cent. had been imposed it would have gone into the currency chest of the hard-pressed Government, but not being done it merely went to swell the exceptional profits of the mill-owners. It is thus interesting to note how the scarcity and high price of Lancashire goods acted as a heavy protective tariff of more like 50 per cent. than 4 per cent. in favour of the Indian Mills. The result was significant;—the mill-owners made fortunes, while the masses of the people could scarcely afford cloth to cover their nakedness. In South India, riots and looting followed. This was the result of protection. Can it be good for India? It is an exaggerated instance of course, but an exaggerated example is often wanted to bring home truth, and this is a splendid instance. If heavy import duties were again put against Lancashire I feel confident we should see the same position again within 12 months. Even at present the ryot can scarcely afford to buy cloth. Indian Mill prices are always on the heels of Lancashire, and when American cotton went up this autumn and English cloth quotations followed suit, Indian mill prices at once did the same.

When the import rate changed from 7½ per cent. to 11 per cent. it was again merely an extra profit for the Mills, and did not really encourage the building of fresh mills, because there was already sufficient incentive for it. Big profits were being made, the industry was very much on its feet and needed no assistance.

Regarding the continuance of the 11 per cent. tariff, which may be considered a fairly protective one, I feel, for established industries, it would be injurious to India. It would tend to raise wages all round, making India a dear country, and would militate against the chance of fresh industries being started. For new industries, however, a temporary tariff, or much preferably a subsidy, would be of service, and would be for the industrial good of India.

6. In theory, even when a high duty was imposed, a countervailing excise duty would hardly be necessary, for, if prices of imported goods say, for example, cloth were forced up by high duties, the local mills would extend greatly, employ more labour and produce all the cloth India needs, and competition among themselves would keep profit down to a reasonable figure. Everyone would rush for cheap mill goods and higher priced Manchester goods would only be bought where mill goods were not available.

What actually happens however, is that the Mill-owner says to himself "why run the risk of rushing up new mills and doubling output, thus incurring more risk in case protection now afforded might be taken off? Much better increase Mills slowly, share the business with Manchester, and charge much above cost price, basing prices on Lancashire prices *plus* duty. This gives, without risk, the same profits as if the output were doubled."

In other words, high import duties without excise duties lead to combines and monopolies, and would make India a dear country. Only freedom in buying, *i.e.*, allowing users to buy in the cheapest market can prevent this.

In practice, therefore, an excise duty is essential if an import duty has to be imposed. It engenders competition on equal terms between local and foreign goods, which results in fine cut prices and no excessive profits to either the Lancashire or the Indian Mill-owner. It is true the people pay more for their cloth if import duties and excise duties are imposed, but the difference all goes into the Government cash chest to reduce taxation in other directions.

14924. *Q.* 7. If help to start an industry is needed the excise duties might be left off for a fixed period, or, if there is no Tariff, then subsidies might be given; but, if an industry is on its feet, then I advocate a fair field and no favour to either foreigner or Indian. Competition gives the masses of people a cheap article, and a cheap country to live in is the desideratum of mankind at present. If there is plenty of competition there is no room for profiteers. Each country has a certain amount of protection because foreign stuffs have to pay freight, etc., but it is false economy to try and make an article in, say, India, when, owing to certain facilities, climate, etc., another country can manufacture it and land it here cheaper than India can make it. Much better give it up, buy the cheap stuff from the other country and turn local energies to something more profitable. This is the rule of Economics.

14925. *Q.* 8. I don't see how they can. Human nature will not permit prices to be kept down unless there is competition. Government could not fix a price.

14926. *Q.* 9. No, Tariffs should be fixed primarily for the general good of the people of the country, which is often quite a different thing from fostering Indian industries, though a very long view has to be taken and at times the two coincide. If, by a little help at the beginning, an industry can be started and kept going with a good prospect that in a few years it will be able to face the world's competition without the help of the Tariff, then give it a start with a subsidy or otherwise. This means that, for a time, the taxpayers are paying to support an industry that gives them no return, but the return will come later on when the industry is self-supporting and the money that is spent on the article remains in the country and goes to pay wages of the Indian worker who makes it. If, however, an industry needs spoon-feeding all its life, and always wants protection to make it pay, then it is bad economy to protect or subsidise it, as the user is not only paying the price he would pay for a foreign article, but he is in addition also paying extra to keep certain Indian workmen employed. He might just as well pay to keep them idle in a workhouse. Their energies should be directed to more remunerative work.

14927. *Q.* 10. No, each country should go in for manufacture, agriculture, mining or whatever else it is locally best suited for. This is the economic point of view. I grant that, for safety of a nation, there may be key industries that are necessary in case she is cut off from outside by, say, a war, but the fewer of these the better, as they are always a drag on her. India should depend on other countries for things they can make cheaper than in India. Considering the cheap labour in India these ought eventually to be comparatively few, but at the moment they are many owing to the labour needing training. If there are no climatic or other reasons why an article could not be made as cheaply in India as in other countries, then all that is required is a temporary help to enable Indian labour to be trained up to the pitch of labour in a foreign country or to a pitch when India can sell as cheap as the foreign article can be imported. A subsidy to chosen firms, who really mean to pioneer, experiment, work on business lines and to train their men to the right standard, is justified, as it serves as an example of what can be done and that there is money in it. Others will soon follow such a lead. Sir Frederick Nicholson's Soap, and Fish tinning industries are very good examples of this. On the other hand an import duty which would enable numerous firms all over the country to conduct the manufacture in a slip-shod way and yet make a profit, because all their neighbours were indirectly supporting them by paying the equivalent of the import duty on the foreign article towards their manufacturing expenses, is bad economy. Indian labour is so comparatively cheap that even if the foreign standard of work cannot be reached, this country should yet turn out goods as cheap or cheaper than Overseas competitors, especially when the saving in freight, etc., is reckoned in.

I cannot furnish a list of what it would *not* pay to produce in India, but experience in the various

lines would decide. One, however, I think would be the fine machine-wove fabrics for which the heat of the plains would make weaving difficult, as a damp climate is required in England, this trade went to Lancashire on account of the climate there, which is just suited for fire spinning and weaving; and possibly an Indian-Manchester might spring up in India when the right spot suitable for such weaving is discovered.

14928. *Q.* 11. A temporary subsidy, on likely industries only, could be given to a few pioneer firms for a fixed period of years without in the meantime raising the sale price to the masses of the people, and this I should recommend. A subsidy for a few years is much more likely to be taken off than an import duty when once imposed.

14929. *Q.* 12. Those likely eventually to pay unaided.

14930. *Q.* 13. Yes, but if possible by subsidies, instead of Tariff protection.

14931. *Q.* 14. Should confine assistance to industries that it is believed can eventually stand unaided. I should like to protect manufacturers against dumping, etc.

14932. *Q.* 15. Yes, if they affected Indian industries and prevented Indian industries being started, as that would be unfair competition. Each case would have to be taken on its own merits and a countervailing import duty should be imposed. This would mean experts to advise.

14933. *Q.* 16. If handloom industry can compete with machinery, certainly let it do so, if not, it is economically wrong to support it unduly, and it must give way to progress. I should be sorry to see the handloom go, but in most cases it is bound to, though, in remoter districts, it may go on for very many years. The laws of supply and demand will settle that.

14934. *Q.* 17. Not only a danger but almost a certainty that protection will lead to protected manufacturers combining to raise prices. So long as the competition amongst themselves is not strong enough to reduce prices it is not necessary, as is now the case in the Cotton Mills, but directly the cotton mills find competition cutting down profits I feel sure there will be a combine of one kind of another to keep up prices. I recommend free trade to counteract this state of affairs.

14935. *Q.* 18. Yes, I certainly think foreign firms will come here if they are cut out by protection. While not admitting that protection is sound, for it at once puts up prices, encourages monopolies, and would make India a dear country, yet, if protection is imposed, it will be all to the good of India if foreign firms do come, for they will bring to bear a lot of knowledge not possessed by India, will employ labour and enrich the country. It is, however, up to Indians to forestall them and keep them at a distance by not imposing prohibitive tariffs but by themselves first getting started here. Then on the spot, with much of the raw material to hand, the Indian, without any protection, should be able to cut out the foreign articles. Common soap is an article in point. This industry has been fostered here gradually by Government Experimental work, which practically amounts to a subsidy, and now the soap can be sold so much cheaper than the European article that the foreign makes of common soaps are almost unsaleable. Even if foreign firms came out now they would be up against indigenous competition, and it is doubtful if they could make good. If a heavy duty had been imposed 10 years ago, and the British firms had all started here, it is very likely the Indian would never have got the start that he now has on the spot.

Generally speaking, I should like a free field left to every one in the Empire, but especially to England, which has done so much in the past to advance India. While quite admitting that a great deal of it was done by individuals for their own advantage, yet the English nation, represented by a mass of people who have never benefited much from India, has sent her best sons to help to make India a nation. If a ban were set against English firms it would be got round by having mixed firms, and it would also cut both ways because Indians would not have the free entry into England. This, however, is a delicate subject.

14936. *Q.* 19. There would certainly be difficulty, for once protection is started there is no stopping, and, logically, the raw material producer is as much entitled to make a little extra profit as the manufacturer. The mill-owner gets his cloth protected, and why should not the spinner or raw material producer do the same, either at the expense of the mill-owner or the ultimate buyer? The adjustment would be difficult.

14937. *Q.* 20. I believe the whole of the duty on the imported article is passed on to the consumer, and in addition to that, in most cases a like duty, figuratively speaking, on the indigenous protected article, for the manufacturer in India, judging from what is happening in the cotton trade, puts up his prices pretty well to the same extent as the duty represents (that is reckoning he can manufacture at the same price as can the manufacturer of the foreign country). Thus the consumer, so to speak, pays duty whether he uses the *imported* or the *Indian made* article. The duty on the former goes to the Government to reduce direct taxation, but the duty on the latter goes into the pocket of the Indian manufacturer to help him to retire early.

14938. *Q.* 21. In view of the former paragraph,—yes, the increase in price will be more or less permanent, for if the local competition becomes so keen that prices are forced down (reckoning that foreign competition has been eliminated by the imposition of duty) it is only human nature that combines will arise amongst manufacturers to raise prices against the public. In that case the government will get nothing in the way of tariffs to reduce rates while all the excise, so to speak, on the Indian product goes into the pocket of the manufacturer. Virtually, Government will support the combine for the benefit of the manufacturer.

14939. *Q.* 22. Yes, temporarily, but for a fixed period only,—on industries which are likely to be able to face foreign competition eventually.

14940. *Q.* 23. No, I should make no exception, though in these days I should be very chary of raising the price of the necessaries of life. For this reason I prefer a subsidy to a tariff. It is true a subsidy is also liable to abuse, but it would only be given to selected Companies and under Government supervision of accounts. If abused, subsidies could be stopped. A high tariff on the other hand would give every Dick, Tom, and Harry the idea of starting impossible companies. The tariff amount would, so to speak, be contributed by the masses of the people to impossible enterprises, and it would be very difficult to cancel it.

14941. *Q.* 24. I do not quite follow the question but presume it means—how would the increased cost of living be covered? It could only be covered by an increase in wages. The present standards of living are so low that they could not be lessened for Classes A. and B.

14942. *Q.* 25. *Protection* would put up the price of India's raw products due to rise in cost of living; and also of its manufactured articles, as a protected country is always a dear country. This would tend to reduce exports. India would, theoretically, both export and import less and become more self-contained, but what would be the result in practice it is very difficult to say. I do not think it could possibly be good for the general commercial position and prospects of this country. The lower classes would be the worst off, for the inarticulate masses are always the last to get increased wages. The small employer of labour is notoriously a very hard taskmaster, and there would be much distress before adjustments were effected. When once wages get well on the up-grade and labour, as it probably would do, got the bit in its teeth, there would be serious trouble. I do not say labour trouble will not come without protection, but it would be accelerated thereby.

Regarding foreign trade and the commercial position, the following appeared recently in the London "Times":—

> "The trade policy of a country cannot be determined without reference to its general economic situation. A creditor country tends to follow a free trade policy and debtor country a protectionist policy."

I believe that this conclusion is generally accepted, *viz.*, that it is to the benefit of a creditor country to have free trade, though a debtor country likes protection as it tends to discourage import, and so adjust the balance of trade. India has been in the happy

position of being a creditor country for a number of years, and when the present upheaval has settled down there is little doubt that she will be so again, considering the huge amount of her raw products available for export: cotton, jute, skins and hides, oilseeds, wheat, rice, coir, etc. Thus she wishes to trade as much as possible with foreign countries, to ship them as much as she can in the way of produce; to take manufactured articles in return to the extent she desires, and then get the balance in hard cash. If she shuts herself up in a box, and by high tariffs curtails imports, it must tend to reduce exports also, for other countries can only take her raw production if they can, in return, give her manufactured articles. The protectionist's reply to this is that instead of exporting her raw material and then buying back the manufactured article, why does not India manufacture it here and employ the population? The "fair trade" reply is that if she can do it economically she does it already, or soon will do it, or at least there is nothing to prevent her from doing it, and it only needs a little initiative, for, with no freight or other transport charges to pay on the raw or manufactured article, she could entirely cut out the European article, and it would never get a chance of selling. If, however, with all her advantages she cannot manufacture and sell at the same price as the foreign article can be imported, much better buy the imported article and turn her workers on to something—be it raw produce or other manufactures—that she can make at a competitive price with the rest of the world. She then gets her imported article, say a Gramophone, for say, *Rs. 100* and sells what she manufactures or grows for export for *Rs. 120* and is *Rs. 20* richer; while, if she uses the labour that could earn *Rs. 120* by, say, growing groundnuts or tinning Sardines, only to make, say, Gramophones that will fetch *Rs. 100* she would be clearly *Rs. 20* worse off as a country. Thus I feel a studied policy of protection would tend to make India a debtor instead of a creditor country and would not tend to a good general commercial position or improve the prospects of the country.

If, as a *free* country, she pushes on with industries such as spinning, weaving, etc., she will have a good chance, home demand satisfied, of working up a good export trade. *Protection* would make her a dear country and militate against this. I consider that a free trade creditor country with manufactures well established is the best country in the world. It buys its requirements cheaply or makes them cheaply, is able to sell cheaply, and so is favourably placed to compete in the world's trade.

As far as imports go, a stiff duty would, theoretically, have the effect of (1) encouraging local industries (and probably bolstering up many trades that were economically unsound), (2) of reducing the import of foreign goods and substituting local-made articles, many of them at higher prices than they could be got at in the open world's market.

26. No, I do not think it would be advantageous to India. A war of tariffs is almost certain to result in both countries putting up their tariffs instead of reducing them mutually. This favours the manufacturers of both countries who are usually the most vocal parties. They get more protection on local sales and can raise their prices to the detriment of buyers generally.

The only position in which a penalty tariff could be fairly safely employed would be on raw exports of which India has to a certain extent a monopoly, say, on Jute, Skins, Hides, etc.

14943. *Q.* 27. If tariffs have to be enforced I should favour the countries that favour us.

14944. *Q.* 28. Differential tariffs would mean much more detailed and complicated works.

14945. *Q.* 29. A permanent organisation, for investigating the claims of various industries, would be most necessary, but an impartial Board would be very difficult to find.

14946. *Q.* 30. Export duties should be employed chiefly to raise revenue, but should only be levied on articles where India has more or less monopoly, either in production, or in price at which it can sell. Directly however, the export duty begins to reduce exports or stops expansion the limit has been passed. I believe very useful revenues could be raised from export duties on Jute, Skins and Hides, etc., Export duties might also be used to penalise countries who put duties against India.

14947. *Q.* 31. See Nos. 26 and 30.

14948. *Q.* 32. No, I do not think an export duty on raw materials should be imposed to keep it in the country. If other countries can give a higher price, the Indian cultivator is entitled to it, and it is up to the user here to pay more for it. The only case where this might be justified is in questions of foodstuffs, but in that case the Government, if they intervene, should pay the market price, recovering such outlays by taxation. In other words if the employer cannot or will not pay a living wage to his employees to enable them to pay the market price for food, Government must make up the difference and recover it from the employers in the form of taxation. All trades have their ups and downs, and the agriculturalist is just as much entitled to make his 100 per cent. when foodstuffs are scarce as the mill-owner when cloth is scarce. If the foodstuffs prices in India are over general world-prices, then foodstuffs will be imported automatically. This is a broad principle, but I admit that the exception proves the rule, and in case of emergency Government might have to fix a limit on the price of foodstuffs to avoid a general rising if people were starving. The price limit should even then be a stiff one that would encourage increase of crop areas.

14949. *Q.* 33. No, I do not think India should control Exports to lower the Indian price of living. Such action would tend to reduce food production.

14950. *Q.* 34. See reply No. 26.

14951. *Q.* 35. Failing Free Trade Imperial Preference in its full ideal would be a splendid thing and I should like to see it. It would probably mean a low tariff and be a step towards free trade within the Empire and that would be a step towards world free trade.

Such an ideal is however, I fear, quite impracticable as there are too many diverse interests in the way, and we could never get the component parts of the Empire to agree. I therefore do not think that India would be justified in risking an appreciable economic loss for the sake of an attempt at Imperial Preference. The economic question is the main thing to look to.

14952. *Q.* 36. No, I should treat the United Kingdom and the rest of the Empire alike, and, if there is no Imperial Preference, should treat the rest of the world the same also. It would tend to make India a cheap importing and large exporting country.

14953. *Q.* 37. An Imperial preferential tariff within the Empire would mean a low tariff which I believe would be advantageous to India. Retaliation would depend on the positions of the respective countries. India exports mostly raw products which foreign manufacturers want badly, and it is very unlikely they would retaliate by taxing such raw produce. Therefore I do not anticipate retaliation even if India adopted Imperial Preference.

14954. *Q.* 38. Have not considered this.

14955. *Q.* 39. I would give preference to necessaries of life for the masses who can least afford to pay duty on the goods they use. I should not go out of my way to give Imperial preference to such imported articles as India hopes herself to manufacture on a paying basis (at least till such manufactures are well established), but might give such preference to articles that India is never likely to manufacture on a paying basis.

14956. *Q.* 40. Yes, the tendency would be, in most cases, to raise prices to the consumer in India, though at times there might be enough competition within the Empire to avoid this.

14957. *Q.* 41. It is very hard to say if Imperial Preference will increase or diminish India's imports and exports. There are so many cross winds. Generally speaking, anything that tends to reduce trade barriers, which tariffs undoubtedly are, tends to increase the interchange of commodities. I do not see any reason why it should affect the balance of trade. India would probably take more and ship more.

14958. *Q.* 42. No, I do not think so. India is a raw article-producing country, the world needs her products and cannot do without them. If foreign countries did not take her produce, Empire countries would do so, and India would eventually export the same lines, though there might be some dislocation of trade till new channels were formed.

14959. *Q.* 43 to 60. *Nil.*

14960. *Q.* 61. Hides and Skins (Raw and Tanned) and Produce generally to England, the Continent, Australia, and America.

14961. *Q.* 62. We are interested in Raw Hides and Skins, and I do not think that the Export duties have had any effect at all.

14962. *Q.* 63. I think it could be increased without hurting the trade, but there is always a risk as it brings us nearer competition. I should prefer to leave it as at present, or still better to dispense with it altogether, but, if Revenue is badly wanted; something more could be exacted by this means. I certainly think this source of revenue is less felt by the people than a tariff on Imports.

14963. *Q.* 64. Yes, I feel that the Import tariff exacted by America and Australia is detrimental to Exports from India, but at present it does not press very heavily, and I do not see that any action is feasible. The bulk of exports are raw material which are in many cases duty-free, or are so necessary to the importing country that they are taken, duty or no duty.

14964. *Q.* 65. Yes, the lower the duties the better the chance of trade. Less money is required to turn over business, and is very important in these days of difficult finance.

14965. *Q.* 66. The lowering of duties cannot help having a beneficial effect generally on Indian trade.

14966. *Q.* 67. Could a country penalise India without injurying itself? I don't think it could. If a foreign country raises an Import Tariff against India, it would penalise its own people, and, as most of India's exports are raw material, the foreign country would very likely not be able to get them elsewhere, so would still have to take them. I don't think a foreign country would be likely to cut off its nose to spite its face. I speak generally but cannot give details.

14967. *Q.* 68. Yes, Goods pay for goods, and if we took less from a country the tendency would be for it to take less from us, but this would be less likely to affect raw produce than manufactured articles, and India does not at present manufacture very much for export.

14968. *Q.* 69. Very difficult to say, but here also the tendency would be for produce to go for manufacture to a country that could turn out finished articles cheapest. The finished article is wanted, and if one country ceases to import the raw material to manufacture it, then it is more than likely that some other country will take it up, and if it is to an Empire country instead of a foreign country, all the better.

14969. *Q.* 70. Piece-goods, Yarns, Machinery and Sundries of all kinds from England, the Continent and America.

14970. *Q.* 71. Yes, I have observed a change in the Piece-goods trade, where Grey goods of the medium and lower qualities and printed goods suited to the poorer classes have been largely replaced by Indian-made Mill goods, though the better class and finer qualities have not suffered much. The change began owing to the high price of English goods during the war. Before the war, only the poorer natives would take the roughly made local mill cloths, but during the war, as English goods were unobtainable in sufficient quantities, the Indians took to local mill cloths, found them thick and strong, and have gone on using them. The increase in import duty from 3½ to 7½ per cent, and now to 11 per cent, has accentuated this change to some extent, but less than might have been expected, so far as the actual volume of shipments from Lancashire is concerned, because the local mills raised their prices to the extent of the duty levied, thus giving Manchester goods a chance to compete. Also, the Mills here could not supply nearly the whole of the requirements of the people. The increased duty has led to much larger importations of coloured and plain yarns, because they are duty-free, while the quantity of woven piece-goods tends to decrease. This, by the way, has favoured the Indian Weaving Mill, which gets 11 per cent. protection, as against the Indian Spinning Mill which gets no protection.

Though the volume of the imports has not been so seriously affected there has been a great difference in the style of goods imported. The lower class Indian woman loves bright colours, and took huge quantities of printed sarries and cloths. Prices of these have trebled, while wages have not, and the women have to content themselves with plain goods, goods dyed locally, or cloths made of dyed yarn, largely imported, and woven in this country, which are very different from the old bright coloured printed sarries.

The worst hit of all by the increase to 11 per cent. are the retail buyers who have to pay the extra price for both the Lancashire and the Indian made goods. This forces them to take plainer goods than they desire or are accustomed to.

14971. *Q.* 72. Yes, higher tariffs on such things as Cement, Lamps, Paints, Paper, Buckets, etc., would tend to encourage them to be produced locally and to reduce imports but much would depend on the extent the local maker profiteered at the expense of the public. The chances are that, as in the case of cloth, the local manufacturer would add most of the duty to his profits, and the imported goods would hold their own and be able to compete and still retain a good portion of the trade owing to better quality and finish. The chief sufferer would again be the retail buyer.

14972. *Q.* 73. All three positions would tend to increase the imports of British goods and A and C might increase total imports. There is no sentimental feeling, it is all a matter of price. Whatever could be laid down cheapest in India would be taken. Whether the purchaser would get the full benefit of the reduction in laying down costs, if any, would depend on various contingencies, strength of competition, etc.

14973. *Q.* 74. Generally speaking, I should recommend a low rate to all parts of the Empire. It would give more competition here which would tend to lower prices in India. If, however, one Empire country favoured us specially by a very low rate I should reciprocate in the hope that others would follow suit and give us lower rates too.

14974. *Q.* 75. In most things Imperial Preference would simply tend to alter the proportion, but if it made any considerable lowering in price, it might well encourage the use of an article and lead to larger shipments.

14975. *Q.* 76. I don't think so, though it might lead to reduction of Export trade to some of the foreign countries who were used to paying for goods by goods, and incline Indian productions to go to the Empire instead of foreign countries.

77. Have not considered the subject.

14976. *Q.* 78. *Ad valorem* is the fairest theoretically, but it is a very hard matter to arrive at the correct *ad valorem* value, and under *ad valorem* valuation it is often difficult to do business on safe lines.

As an example—A man buys goods for Rs. 860 c. f. i. Madras. He sells to his dealer at Rs. 1,000 ex-godown—reckoning that he will pay Rs. 110 for duty (11 per cent.) and have Rs. 30 as profit. When the goods arrive, however, the market price has gone up from Rs. 1,000 to Rs. 2,000. He then finds he has to pay twice the amount of duty say, Rs. 220. His profit being only Rs. 30 he is faced with a dead loss of Rs. 90 on what had originally seemed a profitable sale. This occurrence, to perhaps a more modified degree, has occurred very frequently in the last three or four years, though of course, it cut both ways, and when the price has gone *down* he saves on the duty he reckoned to pay. For all that, however, it adds a factor of uncertainty to business.

Another stumbling block to *ad valorem* duty is the definition of "*Real value.*" (Section 30, Sea Customs Act) which is a fertile cause of trouble (I refer at the moment to piece-goods).

"Real value" is held to be:—

> "The wholesale cash price, less trade discount, for which goods of the like kind and quality are sold, or are capable of being sold, at the time and place of importation."

The large importer "A" sells in lots of 5 to 10 packages to his dealer, but the above definition is read to mean, not the price that "A" sells or could sell at, but the price that the large bazaar dealer "B," who buys from "A," could sell at on date of arrival. Thus "A" pays, not on a price he can make himself, but on a price that "B" makes. Naturally if "B" makes a good profit he does not want "A" to know what he sells at, so, if asked, tells him much less than is actually the case. "A" therefore has to poke and spy round B's place and find by circuitous routes as best he can what "B"

is really selling at. It would be much better if "A" could pay on what he himself is actually prepared to sell a single bale at, if the goods were his own, to a dealer who buys from him. It would probably be an anna or two per piece more than he would take for 5 to 10 bales.

Following income-tax procedure, the importer might have the option of basing duty payments on "cost price, or market value whichever is least" (cost price being taken as c. f. i. cost price, *plus* 5 per cent. to cover profits, etc., which practically makes it the sale price) but this is open to the objection that false invoices might be produced to avoid a fair duty. It would be difficult to accept the invoice price of one firm and not that of another.

Again the wording of Section 30, "*goods of the like kind and quality are sold, or are capable of being sold*" is open to cause trouble, as it is somewhat contradictory. It is commonly recognised in the piece-goods trade that a well-known "chop" counts for much, and it is by no means uncommon for, say "No. 1 quality cloth" with a well established "Q" mark to sell for Rs. 20 per piece, when the same "No. 1 Quality cloth" under an unknown "Z" mark would only sell for Rs. 19. Thus, under the wording "*goods of the like kind or quality*" "Z" should pay the same duty as "Q," *viz.*, on Rs. 20 being the identical "*kind and quality*," while under the wording "*are capable of being sold*," "Z" would be valued at Rs. 19, as it is not capable of being sold for more.

Section 32 of the Sea Customs Act which provides for goods being taken over at declaration valuation if importer refuses to increase it, appears to be ample protection for the importer, but really it is not so, for very often an outside dealer will offer an altogether exceptional price for a small lot of well-known goods that are confined to a few dealers just to get hold of them and spoil prices for the large holders. On the whole, however, this is a very useful Section and the importer should always be entitled to claim recourse to it if he wishes.

I must, however, add that in recent years these rules on the whole have been very sensibly read, but it is always open for some officious officer to make trouble.

Altogether there is a delightful uncertainty about *ad valorem* values. The correct figure is very difficult to arrive at, and with a big duty like 11 per cent., the matter is serious. It scarcely mattered when it was only 3½ per cent.

Fixed Duties per Yard.

14977. If the basis for duty were definitely fixed per yard or per lb., the importer would always know what he had to pay, and could always reckon it in his price. On the other hand, a fixed duty per yard or per lb. that is not affected by price fluctuation is open to the objection that a cloth costing Rs. 10 per 40 yards could obviously not be expected to pay the same rate as a cloth costing Rs. 30 per 40 yards; and if subdivisions were made it would cause much trouble, whether based solely on count of cloth, count of yarn, or other method. I do not know what course is adopted in countries where duty is charged by weight or measure so I am on uncertain ground. It seems to me, however, that, whichever way you work it, the inclination would be to penalize the lower quality cloth and let the better quality off more easily, which is the opposite to what I should desire. It would be better to penalize the rich buyer than the poor buyer.

The readjustment of duties should be considered at least once a year, but in normal times it would seldom be necessary to make changes.

There are thus objections to both methods, and perhaps, the *ad valorem* way, in a fairly steady market, to which we hope eventually to return, is as sound as anything. Here at least you do pay on the actual value of the cloth, and the expensive and cheaper qualities pay proportionately.

Oral evidence, dated Madras, the 2nd February 1922.

14978. *President.*—*Q.* Mr. Leech, you represent Messrs. Taylor and Company, Ltd., Madras?

A. Yes.

14979. *Q.* You are interested in the export trade in hides and skins (raw and tanned) and produce generally to England, the Continent and Australia and America?

A. Yes.

14980. *Q.* You are also importers of piece-goods, varns, machinery and sundries of all kinds from England, the Continent and America. That is the business of your firm?

A. Yes, generally.

14981. *Q.* You are in favour of free trade as a whole, but you prefer to call it "fair trade." But you are agreeable to various measures being taken for the promotion of industries though such promotion may not be fully consistent with free trade principles?

A. Yes. I have no objection to assisting new industries that have a good chance of becoming self-supporting.

14982. *Q.* You do not advocate a rigid policy of free trade of India?

A. No, except in trades that are already well established.

14983. *Q.* Will you please explain what you mean by that qualification?

A. When an industry has grown up, is self-supporting and is making good profits, and can compete with foreign countries successfully, I would not support it. I would not support it if it is shown that it really can make a profit against fair competition.

14984. *Q.* In your answer to question 25 you have quoted an extract from the *London Times* to the following effect? "The trade policy of a country cannot be determined without reference to its general economic situation. A creditor country tends to follow a free trade policy and debtor country a protectionist policy." What do you think, India is a creditor country or a debtor country?

A. I think India is a creditor country as a general rule, though now she is not so. When things settle themselves down I believe she will again be a creditor country.

14985. *Q.* Will you please tell me how India will be a creditor country?

A. The balance of trade is in favour of India. If she exports a million and imports half a million, the balance of half a million stands to her credit.

14986. *Q.* That will come under the heading of national wealth. Do you know that India has to pay something like 30 millions per annum to England by way of debt and other obligations. Do you think that it is indicative of a country being a creditor country? The total liability comes to even more than 30 millions. India has borrowed very largely from England and it is exporting its raw material in payment of that debt. That is India is a debtor country. Can you tell me why you say that India is a creditor country?

A. Because the balance of yearly trade is in favour of India. The debt was incurred for Railways and such like profit-earning investment which you still have as capital in the country.

14987. *Q.* That is national wealth.

A. If India sold and realized these investments I believe the proceeds would more than repay the debt. You say it is national wealth, quite true, the wealth is here, but it is only loan wealth while interest is paid on it.

14988. *Q.* Do you know what the national income in India is as compared with other civilised countries?

A. I have not gone into the question.

14989. *Q.* I am afraid you have been misled by the balance of trade into this view. But if you are satisfied that India is in reality a debtor country, would you then, in view of the extract which you have quoted from the *London Times*, approve of a policy of protection?

A. I am not satisfied that India is a debtor country.

14990. *Q.* Assuming for argument's sake that it is so, would you have any objection to a non-free trade policy?

A. Even then, free trade is, I consider, the best for India, because it enables the people to live cheaply, and keeps prices down. Especially for

India, in which there are very many poor people, it is desirable.

14991. *Q.* You admit in para. 4 of your answer to question 1 that India is a poor country.

A. The masses are poor here.

14992. *Q.* That is to say, the people of India are very poor?

A. Taking the average per head India is a poor country.

14993. *Q.* So you will admit that India is a poor country?

A. I think it is.

14994. *Q.* I want to draw your attention to this. At present the agriculturists, who form the bulk of the Indian population, are so poor that they cannot afford to find the money to clothe themselves and so they have got to go half naked. Do you know that India has had a free trade policy for ever so long that we remember?

A. It is hardly free trade.

14995. *Q.* Of course, revenue duties were recently imposed. But for all practical purposes India has been a free trade country, and do you think that the poverty which you admit to be prevailing in India is not the result of a long series of free trade years?

A. I was speaking specially about the recent war years.

14996. *Q.* The war is not going to endure always. In fact, it has ended. India has been a free trade country for a good number of years. I have pointed out to you that it is a debtor country. I further pointed out also from your own admissions that India is very poor and that the agriculturist could not find sufficient means to clothe himself. India has had free trade for a great length of time, and it obviously follows that under free trade principles India has not prospered and has remained poor to that extent.

A. I quite admit that it has remained poor but do not admit that free trade has been the cause.

14997. *Q.* Can you give me an explanation of it?

A. India's population consists of a very large proportion of very poor people, and a certain number of very rich people. The poor people have not progressed very much. Any benefit takes a long time to get down to them. But probably many are better off than before. Still there are very many poor, who live with the greatest difficulty and scarcely earn enough to feed and clothe themselves.

14998. *Q.* That is what I was leading you up to. The economic condition of India is such utter poverty that about 70 or 80 per cent. of the agricultural population have not got enough to eat or the money to clothe themselves. That has been the result after India tried for at least 60 years a free trade policy. Then you say that there are a few rich people. Do you know what the population of India is?

A. I could not tell you exactly.

14999. Q. You know the Government of India levy income tax on incomes of varying amounts. Do you know the total number of men who are paying income tax on an income of Rs. 25,000 and over, that is, Rs. 2,000 a month?

A. I do not know.

15000. *Q.* I wish you would look into the figures. They will show you what a magnificiently large number of rich men there are in India in support of your theory. At all events, do you know of any country in the world that has prospered economically by the adoption of free trade principles?

A. I think England is one.

15001. *Q.* Do you know that England started protection, a very severe protection, before it established its industries, and then became a free trader?

A. She became a free trader because protection did not pay.

15002. *Q.* Whether it paid or not is not the question, There has been no country in the world which has remained a free trader and prospered. Could you name any country which has been throughout a free trader and has still prospered?

A. No large country has been consistently Free Trade. They have tried first one thing and then the other.

15003. *Q.* Could you name me any country which is now a free trader except England?

A. I do not think there is any important country which is a free trader.

15004. *Q.* England became a free trader after having been a protectionist for a long time, why do you then think that India should be singular in this respect and should be a freetrader in spite of the experience she has already got of freetrade principles?

A. England is much better off under free trade than she was under protection, and I believe India will be the same. The lower classes all over England were, in those days in a wretched state due to the high prices resulting from protection. They remained so all the first half of last century. Then England changed to free trade, and found it satisfactory.

15005. *Q.* When did she change to free trade?

A. That I could not tell you but believe it was the middle of last century.

15006. *Q.* During all these years the other countries have known the experience of England as a free trade country, and yet they have not wholly adopted it up to now? How do you account for it? If it is so advantageous they would have adopted it.

A. When you once adopt protection it is most difficult to change it. You create vested interests, and it is almost impossible to break them.

15007. *Q.* But England has done it and why should not others copy her example?

A. Because Government are afraid of the richer classes.

15008. *Q.* At all events the fact remains that they have not done so.

A. Yes. But I believe they would like to.

15009. *Q.* What authority have you got to say so?

A. My own belief only.

15010. *Mr. Narottam Morarjee.*—*Q.* At the end of your answer to question 5 you say " It would tend to raise wages all round making India a dear country." Take the case of England and America. Is England cheaper than America?

A. Before the war England was a very cheap country to live in and America was a dear country.

15011. *Q.* At present England is a very dear country. Is it not?

A. But I believe it is still cheaper than America.

15012. *Q.* But it is getting dear now?

A. Yes.

15013. *Q.* In your next answer you say: What actually happens, however, is that the mill-owner says to himself " why run the risk of rushing up new mills and doubling output, thus incurring more risk in case protection now afforded might be taken off? Do you know that in the past and at present there have been numerous difficulties in getting delivery of machinery?

A. There is great difficulty at present.

15014. *Q.* Do you know some mills were started in Madras but had to wind up afterwards?

A. They could not get machinery.

15015. *Q.* Not only that but prices were very high.

A. Yes.

15016. *Q.* That is one of the causes why people in India are not extending their mills. Why should not they make as much profit as they can? Can anybody guarantee what are going to be the profits in future?

A. Nobody can guarantee.

15017. *Q.* Then are you quite right in saying what you have said?

A. I think I am quite right in saying this.

15018. *Q.* But people cannot get machinery?

A. That is a contributory cause, perhaps. But they also won't run risks.

15019. *Q.* You know the conditions here. The mill-owners have to spend a lot of money on housing, hospitals and other things. To build houses is not so cheap. The mill-owners have got to spend money on these before getting machinery.

A. Yes, but machinery is the principal thing.

15020. *Q.* In your paragraph 7 you say " Each country has a certain amount of protection because foreign stuffs have to pay freight, etc., but it is false economy to try and make an article, say, in India, when, owing to certain facilities, climate, etc., another country can manufacture it and land it here cheaper than India can make it. Much better give it up, buy the cheap stuff from the other country and turn local energies to something more

profitable." But why in England do they have a duty of 33⅓ per cent. on motor cars?

A. From America?

15021. *Q.* Even on cars from Italy, France, and Belgium.

A. At the present time the world is so upset that you simply have to get money by some means or other.

15022. *Q.* But are they not trying to protect their own industries by levying such a heavy duty as 33⅓ per cent.?

A. I believe they are trying to a certain extent.

15023. *Q.* Will it be wrong for India to ask for protection in certain cases?

A. I think protection as a broad principle is wrong but with a time limit and to help promising industries it has its uses though I prefer subsidies.

15024. *Q.* Why has England adopted that policy? Certain industries are clamouring for protection. If England gave protection to her industries, will it be wrong for other countries also to do the same?

A. In England there are certain protectionists that always clamour for protection. And there are also freetraders. I am one of the free trade interests. If the protectionist interests have their way then protection comes in. But I do not believe in the principle any more than for India, although I admit that at certain times for special reasons for the time being protection may be resorted to.

15025. *Q.* In your paragraph 10 you say that Indian labour is so comparatively cheap that even if the foreign standard of work cannot be reached this country should yet turn out goods as cheap or cheaper than overseas competitors. Do you think that the Indian labour is cheaper than that of Japan?

A. I should think it is, but I do not know.

15026. *Q.* At the end of your paragraph 10 you say that possibly an Indian Manchester may spring up in India when the right spot suitable for such weaving is discovered. How many years have you been in India?

A. 27 years.

15027. *Q.* You know India very well now?

A. Some parts of India.

15028. *Q.* Can they not find a suitable place in India for spinning five counts?

A. It is possible that there might be suitable places in India.

15029. *Q.* Is not too much humidity required for spinning and weaving fine counts injurious to health?

A. If humidification is necessary I believe it is.

15030. *Q.* In your paragraph 25 you say "The fair trade reply is that if she can do it economically she does it already or soon will do it, or at least there is nothing to prevent her from doing it, and it only needs a little initiative, for with no freight or other transport charges to pay on the raw or manufactured article she could entirely cut out the European article and it would never get a chance of selling." The freight from England to India is cheaper than bringing articles from Calcutta to Bombay by rail, or it is practically the same. That is the railway freight for a distance of about 1,500 miles is the same as the freight from England to India, a distance of about 5,000 miles. Don't you think that the transport charges are very heavy?

A. They are heavy.

15031. *Q.* Therefore you are not right in saying that with such transport charges we can manufacture our raw materials cheaper?

A. You must take each individual case. It may at times cut both ways, but on the whole I believe the item of freight is very much in favour of India. Take Cotton and Coal. Freight on cotton from the growing districts in America to port of shift and then *viâ* England to India is a very heavy item. Indian cotton to Bombay has in many cases not very far to go and if it comes from a distant port, both it and coal can be sent by steamer from the nearest coast port. Steamer freight from Calcutta to Bombay is obtainable and you can get freight much cheaper by steamer than by rail.

15032. *Q.* But it takes more time?

A. Yes. But time is not everything.

15033. *Q.* In your paragraph 42 you say that India is a raw-article-producing country, the world needs her products and cannot do without them. Do you mean to say that India should always remain a country exporting raw materials and should not manufacture her own raw materials?

A. You can manufacture them if you can do so competitively, but I think there are so many manufacturing centres in the world at present that India would probably make more out of selling the raw materials than by competing with the rest of the world in the manufactured articles.

15034. *Q.* You mean that she should pay double freight, sending the raw materials and getting back the finished articles?

A. I am in favour of trying to manufacture everything that she can produce cheaper than the imported articles, but I would not prohibit the raw materials going outside.

15035. *Sir Montagu Webb.*—*Q.* You say that you are in favour of free trade. Would you explain to the Commission why you consider that free trade is most suitable for India?

A. Because India has a large population which is very poor. The great thing is to keep working expenses down and so to produce things cheaply. If India is a free trade country her working classes will get their requirements say, clothing, etc., cheaply, as competition from outside will keep down cloth prices. This will tend to keep down wages as money will go further. This in turn cheapens labour and with cheap labour India can work into other industries by being able to sell at a competitive price.

15036. *Q.* Your belief is that the policy of free trade keeps prices down and makes things cheap. Does it lead to goods being accumulated or profits earned more economically than a policy of protection? I want to get at the root of your belief. What is the root of your reason for free trade? You say that it would keep prices down and make things cheap. You think that itself is an advantage?

A. Yes, especially in India where there is a big population of poor people.

15037. *Q.* Why should protection put up wages?

A. Protection in the cotton price trade has made cloth very much higher in price. Cloth is one principal article in the budget of the Indian poor and to meet it they will require to have more wages. If general cost of living rises and increased wages are given in one industry then other industries will also have to give increased wages.

15038. *Q.* Every one tries to get more wages. If industries lead to people getting more wages, is it not advantageous to the people?

A. They get more pay but if the price of their clothing goes up they are no better off than before since they have to pay more for their cloth than before. If the price of cloth goes up by Rs. 2 then each man has to get Rs. 2 more in wages to be in the same position. A man for instance, who works in an aluminium works will also have to be given Rs. 2 more for his clothing. Therefore other industries are also affected. Suppose the aluminium industry is a new industry, it will be handicapped by the higher price of clothing.

15039. *Q.* The operator gets an employment which otherwise he may not get. If he grew more food it would be better instead of making cloth. But suppose that he cannot grow more food.

A. Take a new industry such as the making of soap. The soap manufacturer would be able to make soap cheaper in this country if there was no protection on cloth, etc., and his men were able to buy clothing cheaper. It is the increased price of the necessaries of life that is responsible for the increase in the cost of production.

15040. *Q.* What do you think of the effect of the export duty on Indian commodities? It is likely to raise prices? For instance, if you put a small export duty on leather.

A. The leather export trade can I believe, stand a small export duty without injuring to its volume because there is a big demand for Indian leather which cannot be supplied from elsewhere. The buyer pays the duty so far the duty has not reduced the trade.

15041. *Q.* A few minutes ago we were told that the export duty on hides and skins had ruined the industry and you say that the export duty has not had any effect at all?

A. It has not affected it much, if at all.

15042. *Q.* We have been told that many rich merchants went bankrupt because of this export duty?

A. It has not affected the industry in that way.

15043. *Q.* You don't think that the duty has had any effect at all.

A. I am not a hides merchant myself, but I consulted my hides man. He tells me that the trade can stand it and it has not affected business.

15044. *Q.* There is only one other question which I should like to ask in connection with the debtor and creditor country to clear up a little misunderstanding. I understand that you use the words creditor country meaning the country which receives precious metals. Is that your idea?

A. It has something at his credit, something to get because the balance of trade is in its favour. If you export more than you import, there is a balance of trade, *i.e.*, in money you receive and you can take that money in the way of precious metals or in any form you like, the balance of trade is in your favour.

15045. *Q.* If you put it that way, the balance of trade is in favour of India on the whole.

A. Yes.

15046. *Q.* That might go to pay off the debt which the President spoke to you about.

A. Quite so.

15047. *Q.* Regarding India as a creditor country receiving precious metals you quote the extract from the Times as evidence that in the circumstances India would tend naturally to be a free trade country.

A. Yes.

15048. *Mr. Seshagiri Ayyar.*—*Q.* In answer to a question just now put to you you said that there is a very large population in this country, that they are very poor and that therefore they must have cheap prices to enable them to get their commodities.

A. Yes.

15049. *Q.* That is why you advocate free trade.

A. Yes. I think that free trade is good for the country as a whole. I think that it tends to increase the trade generally.

15050. *Q.* What I was going to ask you was this. Won't you do something to remove this poverty rather than make these people get cheaper commodities?

A. I would like to do both.

15051. *Q.* Would not the starting of industries under protection have the effect of removing proverty?

A. If new industries are likely to remove the poverty of the people, I am entirely in favour of them but under fixed protective tariff I doubt if they would.

15052. *Q.* If protection has the effect of starting new industries, it would conserve the wealth of the country.

A. I recommend temporary subsidies in place of protection.

15053. *Q.* Why are you so partial to subsidy which means that you have to take away from the revenue of the country and use it for the benefit of the particular trade. Subsidy is a very bad form of protection. In that case the general tax-payers have to suffer.

A. Protection makes all the people pay too.

15054. *Q.* Why are you in favour of subsidy?

A. Subsidy would be cheaper to the country. In the case of subsidies, you only contribute to half a dozen works or so instead of to all and the people could buy at the old cheapest competitive rate available.

15055. *Q.* Just look at it from this point of view, whereas a subsidy takes away the money of the tax-payers of the country, protection brings to us some money from outside. Is it not the difference between the two?

A. I say that if you impose protection everybody in the whole country has to pay for it. The poor people would have to pay higher prices.

15056. *Q.* You were in favour of some kind of protection. My point was this. As between subsidy and the protective duty, subsidy is worse as against the people and protection would be better in their interests.

A. I don't say that I would have protection. I only prefer subsidy to protective duty.

15057. *Q.* I can't agree with you and so I am not going to pursue the matter any further.

15058. *Q.* You say that "theoretically I prefer increase in direct taxation and the income tax and house tax are the fairest methods of all." I am a house-owner in Madras.

A. So am I.

15059. *Q.* What interest do you get from the house property?

A. About 3 to 4 per cent.

15060. *Q.* Why do you advocate an increase in the house tax when the property does not pay you more than 3 to 4 per cent.?

A. Everybody has to bear a little bit.

15061. *Q.* Is it easier to collect?

A. Import duty is easier to collect. House tax also is fairly easy in a way.

15062. *Q.* If you put a further tax, the property would not give you much.

A. The tenant will pay it.

15063. *Q.* Deducting the income tax, municipal tax I am perfectly justified in saying that the house does not bring you more than 3 to 4 per cent. and if you put a direct tax, you won't get more than 2 per cent. Is that a thing which would commend itself to anybody?

A. Put up the rents.

15064. *Q.* You cannot get very many persons capable of paying the increased rents.

A. I built my house myself and it perhaps, cost more than was necessary, so it gives me a poor return but I think buying a house used to pay in the old days even on a moderate rent. At the present time, it does not pay because people pay such ridiculous prices for land and landed property that an impossible rent would be necessary to give a fair return. Property prices must come down or one must be content with smaller houses.

15065. *Q.* We in Madras are a poor class of people and you cannot get very many persons who would pay Rs. 200 a month. Men of very high position like a Member of Council or a Judge of the High Court would pay only Rs. 200 and there are not very many of that sort. If you have got a big house in Calcutta, you may get more rent and therefore if you advocate speaking for Madras, it is an almost impossible suggestion to make.

A. If you increase house tax and reduce import duty to same extent the result is the same, you and I both pay import duty, but many others are scarcely affected by it—House taxation has a much wider effect and catches everybody.

15066. *Q.* There is only one other matter, that is about the agricultural income. You know the incidence of taxation upon the land in this Presidency. It is the heaviest of all the Presidencies.

A. I am talking of India generally.

15067. *Q.* Speaking of Madras, there is a great outcry against any increase in the taxation of agricultural income.

A. I only say that big fishes should not escape the net.

15068. *Mr. Birla.*—*Q.* In answer to Question No. 5 you say that the past policy of the Government of India has not materially benefited Indian industries. You admit that.

A. 3½ per cent. was not very much one way or the other.

15069. *Q.* Since you admit that the people of India are very poor, you also admit that the past policy has neither relieved the people of their poverty nor has it benefited the industries but still you like to have the same policy and you won't tolerate any departure from this policy.

A. As far as tariff duty is concerned, it has not made much difference and I prefer to go on in that way, though it has not benefited, it has not done much harm.

15070. *Q.* You say that during the war Indian mills made good profits.

A. Yes.

15071. *Q.* Did not the Manchester mills make good profits?

A. Yes, very good profits.

15072. *Q.* Then what reason have you to say that Indian mills got protection to the extent of 50 per cent. though there was a duty of only 4 per cent. in favour of Indian mills?

A. The Lancashire prices were high because of excessive war charges, in England, wages, freights, insurance, etc., and the Indian mills followed up the Manchester prices and made huge profits. High Lancashire prices, whatever the cause even if it was due to excess profits to Lancashire was protection to the Indian mills and they took full advantage of it.

15073. *Q.* Do you mean to say that Manchester mills made less profits than Indian Mills?

A. Yes.

15074. *Q.* I think that it is not right. Manchester mills were making as much money as Indian mills.

A. Lancashire was paying much more than Indian mills were as protection was against her many risks.

15075. *Q.* Indian mills also were paying for the raw cotton very much higher prices.

A. Yes, but India could have sold much cheaper than she did but took advantage of the Manchester prices.

15076. *Q.* Manchester also could have sold cheaper.

A. Yes.

15077. *Q.* It is the law of demand and supply that when there is scarcity everybody would like to increase their price.

A. Yes.

15078. *Q.* But you have only accused the Indian mills.

A. I will accuse them both if you like but Lancashire took very many more risks which needed paying for.

15079. *Q.* You charge Indian mills for the riots in Southern India.

A. I do. I consider Indian mills could have sold much cheaper but they made extra profits as business men usually do when protection gives them the opportunities.

15080. *Q.* In spite of that why are the people of Southern India inclined to use Indian mill-made goods?

A. It is partly a matter of price and there is a good deal in the boycott movement, but the people are also using Lancashire goods.

15081. *Q.* You admit that the mills made profit during the war and that the mills extended their businesses as rapidly as they could. You have admitted that too.

A. Yes, I said so.

15082. *Q.* Are you aware that up to this day the mill-owners in some cases are extending their mills and in some cases they are building new mills?

A. Yes.

15083. *Q.* What reason have you to say that if protection is adopted in this country the mill-owner instead of extending his business will just sit quiet and raise the prices? You have yourself admitted that the mill-owners have extended their business and still are extending.

A. They are still extending but I think that they have not done as much as they could. The price of fitting up is so high that they do not want to take risks.

15084. *Q.* If they cannot get the machinery it is not their fault. They have not combined themselves to raise the prices and to start new mills.

A. They have perhaps, not actually combined but they ask high prices because they can get them. In such a position combination is unnecessary.

15085. *Q.* If you have got 200 bales and if there are buyers for 300 bales, in that case would you like to reduce the price?

A. No.—I should put it up if possible.

15086. *Q.* Assuming even there is combination among the mill-owners that they won't extend their business but rather would stick to their original business and keep the prices well up, don't you think that new enterprising firms will come into the field and will start building new mills.

A. They will.

15087. *Q.* Will that again not bring down the prices on account of internal competition?

A. It will, but it could be done much faster.

15088. *Q.* When the mill-owners find that new men are coming into the field, won't they rush up to build new mills?

A. When new people come into the field, they may be forced.

15089. *Q.* Therefore there is no reason to think that they will not build new mills.

A. They will build when it suits them.

15090. *Q.* You have yourself admitted that they have extended their businesses during the war and on account of scarcity of machinery they were not able to extend as fast as possible.

A. Under protection they won't go to the length they would otherwise do.

15091. *Mr. Jamnadas Dwarkadas.*—*Q.* Just before I start with the questions, I should like to know in what business you are interested in? I think import of piecegoods?

A. Yes, also sundry goods, yarns, etc.

15092. *Q.* Your business is that of an importer.

A. Chiefly I am an importer. My original business is piecegoods?

15093. *Q.* Are the goods all local goods?

A. Chiefly English and foreign goods but I try to sell Indian goods too.

15094. *Q.* Now will you kindly turn to your answer to Question No. 5. Before 1916 you had 3½ per cent. import duty on foreign manufactures and you had a countervailing excise duty of 3½ on home made goods and that you say was an equitable arrangement.

A. Yes.

15095. *Q.* I put it to you thus. So far as Indian cotton industry was concerned, was it not in a nascent state?

A. I think that they had got beyond that.

15096. *Q.* I am talking of 1891 to 1893 when these import and excise duties were levied. At that time you will admit that the Indian industry was in an infant state?

A. Yes.

15097. *Q.* Was not that a distinct disadvantage to India to compete with an industry which had already made very great progress.

A. Yes. I admit that England had treated India badly in many ways.

15098. *Q.* Then you go on to the year 1916 when the 4 per cent. duty was put on for revenue purposes and then you trace the evil effect of this increase of 4 per cent., so much so that the consumer, you say, had to pay a little more than 50 per cent. of the article.

A. That was the war effect.

15099. *Q.* You say that Lancashire was penalised to the extent of 4 per cent.

A. Yes.

15100. *Q.* And the effect of it was it raised prices in India, so much so that the consumer had to pay 50 per cent. more for the article.

A. I used the expression 50 per cent. figuratively to indicate a large increase; it must not be taken as an exact percentage. It was the war, not the 4 per cent. against Lancashire that sent up prices 50 per cent. and enabled Indian mills to do likewise.

15101. *Q.* You admit that the rise in prices was due to the abnormal circumstances of the war and not to the imposition of the 4 per cent. duty.

A. If there had been no war, the prices would have been only raised by 4 per cent

15102. *Q.* But then there was war.

A. Yes.

15103. *Q.* The 50 per cent. increase in price was due to the abnormal circumstances of the war?

A. Yes.

15104. *Q.* It could not be that because 4 per cent. were added the prices had gone up by 50 per cent.

A. It was contributory.

15105. *Q.* Let me put to you a hypothetical case. If India had not been made to suffer and had not had the distinct disadvantage of competing with an industry which had already made very great progress with this 3½ per cent. duty on imported cloth and 3½ per cent. countervailing excise duty, don't you think that the result of it would have been a greater number of mills in India and a faster growth of industries in India?

A. To some extent but not very much.

15106. *Q.* It would have given some encouragement?

A. It would have had a tendency that way.

15107. *Q.* The result of that would have been there would have been less scarcity than what had actually happened during the war.

A. You cannot say how much this 3½ per cent. would have done. It is problematical.

15108. *Q.* In that case, the Indian consumer would not have suffered so much.

A. Again problematical. It would depend on what profit the millowner was content with.

15109. *Q.* If you admit this, how do you argue that if a policy of protection were adopted and the duty raised to 11 per cent. India would really suffer and the prices would grow up. I should like to be enlightened on this point.

A. This extra 7½ per cent. will be a profit to the capitalists, protection would enable him to increase his prices and it would be paid by the poor masses.

15110. *Q.* You yourself admit that if the advantage were given to India, it would have the desire to encourage Indian industries and thus remove the scarcity.

A. Yes, temporary help to infant industries.

15111. *Q.* How then would it be a disadvantage? How would it raise prices?

A. If more mills are built, there is no need for it.

15112. *Q.* There is another argument. You have been pointing out the evil effects of the rise in the percentage of import duty. That is another argument: in your opinion because cotton industry has reached an adult stage, you would not recommend protection.

A. Yes.

15113. *Q.* I shall for the moment admit that is so, but there are industries you will admit which have not reached the adult stage. In those cases would you recommend an import duty?

A. I would recommend help. I prefer subsidy to import duty.

15114. *Q.* Leave aside the question of import duty. You would recommend protection.

A. I would recommend help which means protection.

15115. *Q.* In your answer to Question No. 5 you say: "Regarding the continuance of the 11 per cent. tariff which may be considered a fairly protective one, I feel, for established industries, it would be injurious to India. It would tend to raise wages all round, making India a dear country, and would militate against the chance of fresh industries being started." Just above this you say that the mill-owners made enormous profits and the profits did not go into the pockets of the labourers. If as you say the effect of it would be to raise wages, why should you make a grievance of it?

A. The same causes that would tend to raise wages would raise prices and the labourers would not be better off. The Indian labourer is now living on a low scale at present. If his wages go up the prices also will go up and he would not be better off.

15116. *Q.* If wages go up the standard of comfort of the labourers would be higher.

A. Not if prices go up.

15117. *Q.* You say: "It would tend to raise wages all round making India a dear country, and would militate against the chance of fresh industries being started."

A. If a new industry has to pay Rs. 2 more wages per man, I say it is a handicap to that industry.

15118. *Q.* You yourself say that the existing industries bring more money to the capitalists. That should stimulate the starting of new industries.

A. Well, it may or may not.

15119. *Q.* If capital is concentrated in the hands of a few, would it not have the effect of starting new industries. Has not this been the case in other parts of the world?

A. It does not follow that it would be the case in a poor country like India.

15120. *Q.* You think a policy of protection would make life more expensive for the poor man?

A. I do.

15121. *Q.* In answer to Question No. 25, you say: "Protection would put up the price of India's raw products due to rise in cost of living; and also of its manufactured articles, as a protected country is always a dear country." Will you please explain how the price of raw products would go up?

A. If you have to pay your agricultural labourer Rs. 2 more to cultivate your land, naturally the cost of producing raw materials would be higher.

15122. *Q.* Do you know that 80 per cent. of the population of India depend upon agriculture at present?

A. I do not know the percentage, but a large portion do depend upon it.

15123. *Q.* If the price of raw materials go up who will get the benefit? Is it not the cultivator?

A. Yes, the man who cultivates if he can sell at a price to cover additional labour charge and get a little extra for himself.

15124. *Q.* And a large proportion of the population of India belongs to the cultivating class.

A. But suppose they are competing with some one else whose cost of labour has not been forced up by protection? When they have got to compete with such they may not be able to get more than before.

15125. *Q.* We are not importing raw materials.

A. He may not get more for the raw materials he exports.

15126. *Q.* Then you go back on your statement that there will be a rise in the price of raw materials?

A. Yes, in cost price and he would try to put up his sale price correspondingly, but if he could not do so in competition, he must sell it for less.

15127. *Q. Sir Maneckjee Dadabhoy.*—Mr. Leech, you have raised some very interesting and extraordinarily controversial points in your written statement and I should have liked very much to have discussed that fully with you, but unfortunately I cannot have that pleasure because the time is short.

15128. *Q.* As I understand your first paragraph, you are not against protection. You want to support new industries that have a good chance of becoming self-supporting and your form of support will preferably be subsidies, knowledge and information.

A. I should prefer it to the tariff.

15129. *Q.* You advocate protection against dumping.

A. That is what I call fair trade.

15130. *Q.* In short, in a measure you support the protective theory. You are in favour of extending legitimate protection?

A. Yes.

15131. *Q.* Now, in answer to Sir Montagu Webb's question you seemed to be supporting the free trade doctrine. It is more fashionable now-a-days to be a free trader than a protectionist, but apart from that you seem to be supporting free trade because it would keep down prices. Let us develop this point a little. You will admit that a nation's position as well as that of an individual is to be reckoned by wealth.

A. I think it is.

15132. *Q.* And every nation, not unlike an individual, endeavours to better its position by accumulation of wealth?

A. Yes.

15133. *Q.* And wealth means prosperity?

A. Prosperity does not mean capital in a few hands. Everybody in a country is said to be in a prosperous position when the capital in the country is well distributed.

15134. *Q.* Then, wealth means in other words, increase of wages. You cannot have wealth if there is no increase in wages.

A. If you can make the cost of living cheaper in the country?

15135. *Q.* In order to get wealth you must accumulate money and how can you accumulate money unless you have increased wages or salaries?

A. You might accumulate wealth by getting things cheaper.

15136. *Q.* If you want to amass money you must have good wages, and good wages means a margin over your necessaries of life. So if you keep the prices down, you say you keep the wages down. If you keep the wages down how can you get a surplus wealth?

A. If one gets 50 shillings and has got to pay 45 shillings for his living, and another man gets 25 shillings and has to pay 20 shillings for his living, the margin is the same, 5 shillings in both the cases. The man who lives on 20 because he resides in a cheap country can afford to sell at 25 and make a profit but if in competition with the 40 man he can sell at 40 and still under cut him he gets surplus wealth.

15137. *Q.* If prices are high, if a manufacturer or labourer gets good value for his article or for his labour, it will aggrandise wealth. So I cannot understand your doctrine. *Sir Montagu Webb.*—Prices are cheaper in India than in England.

15138. *Q.* If there was not a margin in England between the cost of living and the wages, England could not have built up its wealth.

15139. *Q.* You cannot get that margin if you keep your prices down.

A. If you get prices down?

15140. *Q.* You have been a little unkind to the Bombay mill industry. There is a very extraordinary passage in your statement: The mill-owner says to himself "why run the risk of rushing up new mills and doubling output, thus incurring more risk in case protection now afforded might be taken off? Much better increase mills slowly, share the business with Manchester, and charge much above cost price, basing prices of Lancashire prices *plus* duty. This gives, without risk the same profits as if the output were doubled." You say, in other words, that there is a deliberate conspiracy or a combination on the part of the mill-owners to keep the present rate by not erecting more mills. What is your justification for that indictment?

A. Any one in the same position would reason that way in these uncertain times. I only put up a hypothetical case.

15141. *Q.* Have you got any special information for this indictment? It is a serious indictment against them. You charge them that they are deliberately not increasing their mills to keep up these artificial profits in combination with Manchester.

A. I do not say that there is a conspiracy. But that is what every mill-owner would say to himself.

15142. *Q.* What is your ground for it?

A. That is what I should do myself. I have no authority.

15143. *Q.* Let me tell you on the other hand that your statement is wholly incorrect. On the other hand, most of the mills in Bombay have gone in for extension. 22 new mills were floated; 8 or 9 of them are under construction and the others have kept their construction in abeyance because they could not get machinery.

A. I know that there are mills going up, but the tendency will be what I have described.

15144. *President.*—If he has no authority for it, leave him at that.

15145. *Sir Maneckjee Dadabhoy.*—*Q.* In paragraph 2 of your answer to Question No. 1, you say "In other words the masses pay more than is necessary for their wants and the excess paid goes to enrich the capitalist. This is the disadvantage of tariffs as against direct taxation." To my knowledge this does not always happen. Some part of the duty is often paid by the foreign exporter, as he is anxious not to lose his market.

A. You mean the English exporter?

15146. *Q.* Yes. In order to keep his market he would reduce his profits.

A. It depends upon the prices. If he meets with equal prices here, he would try to reduce it, but 7½ per cent. advantage always leaves a big chance of margin to the Indian mill-owner, this is paid by the poor masses.

Witness No. 101.

The Mysore Chamber of Commerce, Bangalore.

Written statement, dated the 23th January 1922.

GENERAL.

15147. *Q.* 1. Generally I favour a policy of free trade, but in its application to India, just at present, it is in need of a slight modification. Even those countries which once favoured a policy of free trade are now compelled by conditions resulting from the effects of the war, and the post-war economic conditions to adjust their tariff policy to suit the changed circumstances.

I have no objection to the existence of a Customs tariff for revenue purposes.

15148. *Q.* 2. The scope of direct taxation is limited at present and with the likelihood of the present material condition of the people improving, their capacity to bear additional direct taxes would be bettered. For the time being it is however advisable to rely on an increase in the customs tariff for any extra revenue required by Government.

15149. *Q.* 3. The number of articles taxed should be as few as possible and they should also be in great demand by the population. The rate of taxation should be so low as not to affect the consumption of the articles taxed.

15150. *Q.* 4. I am in favour of a continuance of the present tariff slightly modified in some directions felt necessary; a tariff for revenue purposes if carefully devised would yield a large revenue, and at the same time protect a few selected industries. In such a scheme the taxes would fall only on a few articles consumed by all classes of the population. There is nothing inconsistent if a tariff for revenue purposes is so framed as to afford protection to certain industries as the manufacture of cotton goods and yarn, sugar, iron and chemicals.

15151. *Q.* 5. The present tariff excise policy influenced as it has been by political considerations, is one of the causes that has retarded the progress of some Indian industries. These would have attained considerable development if they had not been subjected to the adverse effects of an unfettered foreign competition.

When all the civilised countries of the world are vigorously pursuing a policy of reconstruction, it is but right that India should take stock of her goods and formulate a policy which would ensure her further progress in the future. Such a policy at the outset should cause as little inconvenience as possible. A policy of an unrestricted import trade into India with countries having a protective barrier against foreign competition, will in the long run be injurious to our country.

15152. *Q.* 6. & 7. There is no objection in theory to the levy of an excise duty when the tariff in force is for revenue only. When it assumes a protectionist character, excise duties should not be imposed on those articles used as raw materials in the industries so protected.

15153. *Q.* 8. Excise duties cannot be imposed without raising the prices charged to the consumers. But it is difficult to tell whether the extent of rise in price would bear any definite relation to the amount of duty paid. It is quite possible that in the case of some articles, a portion of the duty may be borne by the producer without being shifted on to the consumer.

15154. *Q.* 9. The present undeveloped economic condition of India does not guarantee that by introducing a purely protective policy all of a sudden, many industries would come into being and steadily develop from year to year without causing any serious dislocation in the present methods of production. It is therefore submitted that a revenue tariff, modified to some extent, would be conducive to the best interests of the country as a whole.

15155. *Q.* 10. It is evident that India cannot become completely independent of other countries with regard to many manufactured goods.

15156. *Q.* 11. Protective duties may be levied on only a few manufactured goods. The nascent industries requiring protection should be carefully selected.

15157. *Q.* 12. Textile industry and the manufacture of sugar are in need of immediate protection. The main principles to be considered are the existence of natural facilities for the production of raw materials required by the industries protected, the gift of a special aptitude by the people, the nature of the wants to be supplied and the possibility of substitutes, etc.

15158. *Q.* 13. The present state of development of the country requires us to be cautious in all our ventures to establish new industries in India. The industries to be protected should at first be properly tested and only those industries which can benefit by such protection should be selected. Every State recognises the necessity of fostering those industries on which primarily depend the well-being of the masses and its own safety.

15159. *Q.* 14. I am inclined to a policy of modified free trade. I do not seek protection for such industries as cannot do without it after a prescribed period of time. The industries which require continuous assistance do not deserve any encouragement at our hands. Nor is there sufficient justification to sacrifice the interests of the general public for the artificial prosperity of a particular class of producers.

15160. *Q.* 15. The grant of bounties, subsidies, etc., only tend to create internal trouble. If the foreign countries resort to a policy of dumping with a view to capture our home market we can frustrate their attempts by using a retaliatory tariff.

15161. *Q.* 16. The hand industries may be encouraged if they enable the rural population to add to their earnings from agriculture. The cotton handloom industry is scattered all over the country and there is no

doubt that with the introduction of the improved appliances for labour saving and a suitable organisation for the sale of manufactured goods and the development of banking facilities in rural areas, it is capable of considerable expansion.

15162. *Q.* 17. There is no prospect of combinations of protected manufactures coming into existence in the near future. If however, such are formed and begin to work against the real interests of the people, they can easily be brought under control by the enlightened public opinion and suitable legislation.

15163. *Q.* 18. If foreign firms come into and settle in the country to carry on their business, there are many directions in which they can be of real use to us such as by training our men, creating a home market for our raw materials, etc. They need not be viewed with any suspicion so long as they do not tend to create for themselves a monopolist position in the country in a way opposed to the real interests of the country. If they degenerate into oppressive combinations then legislation and public opinion would bring them under control.

15164. *Q.* 19. As the tariff policy, I advocate, is based on revenue, as well as to a limited extent on protective considerations, and as the industries to be protected are well chosen, I do not expect that there would be such a serious cleavage between the several classes of producers of raw materials as cannot be adjusted by mutual good will and proper understanding.

15165. *Q.* 20. Generally the incidence of customs duties on articles imported from abroad, falls on the consumers. This proposition requires to be qualified by such considerations as the nature of the goods imported and of the wants satisfied by them, the possibility of substitutes, etc. It is very difficult to determine in practice the portion of the burden borne by the consumer in the importing country and the portion borne by the producer in the exporting country.

15166. *Q.* 21. Even a revenue tariff will contribute in its own way to a rise in prices of the commodities taxed. In the case of a protective tariff the rise in prices would be more marked. As the tariff advocate is not purely a protective one, I do not think there would be a serious rise in the prices of all commodities at the same moment.

15167. *Q.* 22. The consumers will have to make a temporary sacrifice by paying higher prices and this is unavoidable.

15168. *Q.* 23. The necessaries of life are those which go to satisfy the primary wants of man. If the protected article is in great demand by all classes of the population, any rise in its price resulting from the import duty would be temporary and as time goes on there would be a tendency for a fall in the price.

15169. *Q.* 24. The rise in the cost of living would affect the different classes of population in different ways. The wages of the urban labourers will soon go up in response to the rise in the cost of living. In the case of the rural wage earners it would take some time before the increased cost of living would bring about a rise in their wages. The middle classes however would be put to great hardship as the income they get is governed by various considerations.

15170. *Q.* 25. Protective duties tend to reduce the total volume of trade. When imports are checked, exports also fall off though not to the same extent. The political dependence of India requires her to make some payments every year in England and for this purpose a favourable balance of trade is desirable. Again, India is exporting every year large quantities of raw materials after meeting her domestic requirements. As many Western countries chiefly engaged in industries cannot do without these raw materials and as India alone can produce them in large quantities, we need not be alarmed by any serious shrinkage in the volume of trade due to protection offered to a few well selected industries.

15171. *Q.* 26 & 27. Reciprocal tariff partakes of the nature of a bargain. To conclude a satisfactory bargain both the parties should be on a footing of equality. If India enjoys greater freedom she can conclude treaties with various foreign countries to her best advantage. In the absence of such freedom the existence of a reciprocal tariff cannot be of much advantage to India. Another factor necessary to devise a reciprocal tariff is the possession of a sound knowledge of conditions prevailing in foreign countries with regard to each industry and trade in which India is interested. It will take time and require a costly organisation to conduct such enquiries and collect the necessary information.

15172. *Q.* 28. As a reciprocal tariff implies a keen bargaining and also a disposition to grant concessions to foreign countries whenever desirable, the tariff will have to be more detailed than at present if it is to lend itself to be used to promote the best interests of India.

15173. *Q.* 29. It is a matter to be disposed of by the administrative authorities. A Committee consisting of members of the Indian Legislature, technical experts and persons interested in several trades and bankers should be constituted to advise the Government in the matter. The services of the provincial Directors of Industries and Commerce may also be availed of. The existing Commercial Intelligence Department should be reorganised to make it more useful to the people. Investigation of the claims of industries seeking protection, may be left in the hands of the Provincial Directors of Industries who should work under the supervision of the Government of India.

15174. *Q.* 30. Export duties are generally for the purposes of raising revenue. Raw materials constitute the bulk of the Indian export trade. When it is feared that the raw materials required by the protected Indian industries or for the well-being of the masses, are being exported out of the country in such large quantities as to bring about a rise in the prices, to be paid by the Indian consumers of these articles, export duties may be used to regulate the foreign trade in the best interests of the country.

15175. *Q.* 31. If export duties are levied on those articles, as tea, jute, etc., in the production of which, India enjoys some advantageous monopoly, the burden of these duties really fall on the foreign consumers. As most of the raw materials exported are required by the foreign countries for their industries, it is not likely that the imposition of low duties will reduce the export trade of the country.

15176. *Q.* 32. It is advisable to use export duties for purposes of retaining in the country such articles as are necessary for Indian industries, or for the well-being of masses as in the case of some foodstuffs, when it is ascertained that their supply is insufficient to meet the requirements of the country. If it is desired to retain them in the country, with a view to make them available at low prices to the Indian consumers, the interests of the agricultural classes engaged in the production of these articles will have been unnecessarily sacrified and there would also be no guarantee that all the surplus raw materials now exported to foreign countries, would find a market in India, without being prejudicial to the interests of the agricultural classes, *i.e.*, rice, wheat, jute, cotton, silk. oil-seeds, hides and skins, forest products, minerals, etc.

15177. *Q.* 33. When the prices of all the commodities are going up it is not right to bring about artificially a fall in the prices of foodstuffs by levying export duties as the agricultural classes engaged in growing foodstuffs receive low prices for their output but have to pay higher prices in their capacity as consumers of other goods. Any rise in the cost of living is accompanied by a rise in the standard of living which would result in increased efficiency. When the rise in prices is due to so many factors widely differing from one another, it is undesirable to select one of the factors from among the several and to check its free play until we are sure of the results we intend producing by such interference.

15178. *Q.* 34. As export duties cannot be used for purposes of retaliation it is likely that serious harm may be caused to the country taking recourse to such duties for retaliation.

In conclusion, I propose that some portion of the customs, etc., contributed by the Native States indirectly should be given to the respective Native States.

Messrs. B. V. K. GARUDACHARI and S. G. SASTRY, representatives of the Mysore Chamber of Commerce.

Oral evidence, dated Madras, the 2nd February 1922.

15179. *President.*—*Q.* Gentlemen, you are representatives of the Mysore Chamber of Commerce?

A. Yes.

15180. *Q.* Your members are interested in trade or industries?

A. Both trade and industries.

15181. *Q.* Principally industries?

A. Just now they have developed the industrial side, but all these days they were interested only in trade.

15182. *Q.* You say "you favour a policy of free trade, but in its application to India, just at present, it is in need of a slight modification." Will you please explain what you mean?

A. I am not in favour of complete free trade just at present, but I want complete free trade in course of time.

15183. *Q.* At what stage?

A. When we are in a position to compete with other people.

15184. *Q.* That is to say, when India can sucessfully compete with others in manufacturing industries, then you would advocate free trade?

A. Yes.

15185. *Q.* And during the interval you would advocate protection?

A. Yes.

15186. *Q.* In your answer to Question No. 5 you say that "The present tariff policy has been influenced by political considerations." Will you please explain what you mean?

A. I mean the political agitation carried on by the Manchester and Lancashire people which influences the British Parliament. This is hampering our trade and industries.

15187. *Q.* You mean the British Parliament which has been controlling our fiscal policy has been influenced by British manufacturers?

A. Yes.

15188. *Q.* In answer to Question No. 18 you say: "They (foreign firms) need not be viewed with any suspicion so long as they do not tend to create for themselves a monopolist position in the country in a way opposed to the real interests of the country. If they degenerate into oppressive combinations then legislation and public opinion would bring them under control." When you speak of "monopolist position" do you speak of oppressive combinations or something else?

A. Oppressive combinations and nothing else.

15189. *Q.* The only other portion in your statement which requires elaboration is the concluding portion. You say: "I propose that some portion of the customs, etc., contributed by the Native States indirectly should be given to the respective Native States." Will you please elaborate that point?

A. For instance, take my own State, the Mysore State. Indirectly we are paying duties about 60 lakhs of rupees on the imported articles consumed by us, and this sum goes into the hands of the British Indian Government although it is we who consume the goods. It is my desire, therefore, that the Commission recommend that the Native States should receive a proportion of the contribution they make to the Indian customs revenue.

15190. *Q.* Don't you get corresponding advantages by being within the Indian Empire? Don't you think there is some compensating advantage in that direction. The British Indian people contribute 60 crores of rupees for maintaining an army, which according to the population works out to Rs. 2 per head. Do the Native States maintain an army?

A. We are paying Rs. 35 lakhs for the maintenance of the army. It is a subsidy we pay for that protection.

15191. *Q.* Yes, I know you pay 35 lakhs. But is it for maintaining the Army? You must be paying it under some treaty obligations. What are the terms of the treaty which makes this payment obligatory?

A. It says that we ought to pay so much and we pay it.

15192. *Q.* You do not know the purpose for which it is paid?

A. No, not definitely.

15193. *Sir Maneckjee Dadabhoy.*—*Q.* Mr. Garudachari, your point is that the number of articles to be taxed should be as few as possible.

A. Yes.

15194. *Q.* And you also urge that protection should be extended only to selected industries.

A. Yes.

15195. *Q.* Then your Chamber is probably a discriminating protectionist.

A. Yes.

15196. *Q.* You say that the textile industry and the manufacture of sugar are in need of immediate protection.

A. Yes.

15197. *Q.* Do you think that any further protection than what is given now is necessary?

A. The excise duty should be taken off.

15198. *Q.* Is that all you want?

A. Indirectly I want that no tariff should be put on such articles as dyes, machinery, etc., which it is not possible to manufacture in India.

15199. *Q.* Machinery, dye stuffs, etc., should be imported free of duty. That is your position?

A. Yes.

15200. *Q.* You suggest that some portion of the customs, etc., contributed by the Native States indirectly should be given to the respective States. Now, do you wish the Commission to note that there is really a conflict of interest between the great population of India and the people of the Native States so far as the general tariff policy is concerned.

A. There is no conflict or anything of that sort. There are certain Native States such as Baroda, etc., which enjoy certain benefits.

15201. *Q.* Because of their geographical position?

A. Yes.

15202. *Q.* Your province is so situated that it is an inland province?

A. Yes.

15203. *Q.* When you get your new port Bhatkal the difficulties which you contend with would be removed because your State requirements can be directly imported into your own port.

A. I say that the Native States which have not got the advantage of a port should get some portion of the customs revenue they contribute.

15204. *Q.* Only in so far as your railways, rolling stock and other things which are required for the State, only to that extent you want to get a portion of the revenue. I am prepared to concede that. Is that all?

A. We import foreign piece goods too.

15205. *Q.* Have you got local mills?

A. Yes.

15206. *Q.* You can depend probably on your local mills.

A. Not for the present. Unless our local mills are developed we are not in a position to meet all the requirements of the State.

15207. *Q.* Don't you think that Native States would be indirectly benefited by a protectionist policy?

A. In a way they will be benefited.

15208. *Q.* If India prospers as a unit, would not the Native States be benefited indirectly also?

A. As an Indian I would think so.

15209. *Q.* Your Chamber would not even press proposals which would sacrifice the larger interests of British India?

A. No, certainly not.

15210. *Q.* Your Chamber will not grudge the larger interests being benefited even to your smaller sacrifice?

A. Certainly not.

15211. *Q.* You say that some portion of the customs, etc., should be contributed to the Native States. Suppose we wanted to do this. How could that be done?

A. We keep an account of the machinery and other things imported.

15212. *Q.* How is the Government of India to share with you?

A. On the population basis.

15213. *Q.* Do you think that would be a fair basis to adopt?

A. It depends on the country.

15214. *Q.* Your population may not make use of imported articles. You may have a very large population and a very small fraction of your population may make use of imported articles. Would the population then be a fair basis?

A. At present our State contributes for the benefit of other States.

15215. *Q.* You have no transit duties in your State, that is, you allow the articles to go free?

A. Yes.

15216. *Mr. Jamnadas Dwarkadas.*—*Q.* You say that your State contributes a large proportion to the customs revenue. Could you give me an idea of the proportion?

A. I think it is very nearly 20 or 22 crores for the whole of India. We have roughly calculated that we pay 58 lakhs roughly. It comes to about 2 per cent.

15217. *Q.* Your State contributes 2 per cent. of the total customs revenue.

A. Yes.

15218. *Q.* What would be the proportion of your revenue to the total revenue contributed by the other States?

A. It may come to about 25 per cent.

15219. *Q.* Is yours the largest contribution?

A. That I am not in a position to say.

15220. *Q.* I believe you have a rough idea that probably your contribution is the largest among the Native States?

A. I do not say that. It may be. I cannot say definitely.

15221. *Q.* At any rate the contribution of other Native States cannot be much larger than yours. It may be equal.

A. Yes.

15222. *Q.* Now then, do you think that because you contribute 2 per cent. to the total revenue of the Central Government, you would be justified in claiming a share in framing the policy?

A. Any advantage which is given to any one must be given to all the Native States.

15223. *Q.* Have you got any suggestion as to how you would exercise that machinery?

A. The articles imported into the Native States will at the ports pay the customs duties. The proportionate charges incurred for collection and other things may be deducted and the balance may be given to the States.

15224. *Q.* Apart from that, because you contribute to the total revenue, would you claim any voice in the framing of the policy?

A. Yes, else I cannot do anything at all.

15225. *Q.* Do you think that the Native States have contributed as much as it is in their power to promote the industrial regeneration of India?

A. Yes.

15226. *Q.* Have they exploited all the available resources?

A. As far as Mysore is concerned I think they have done all they can.

15227. *Q.* Are there no more resources available?

A. That I am not in a position to say.

15228. *Q.* I gather from your evidence that you favour a policy of reasoned protection. You would recommend a permanent organisation for the purpose of making recommendations every now and then. Do you mean the constitution of the Commercial Intelligence Department should be revised?

A. Yes.

15229. *Q.* Can you make any definite proposals as to in what shape the revision should be made?

A. I suggest that the Directors of the provinces and also some members who are directly connected with the several industries, the financiers, and also some representatives of the Chambers should form a committee.

15230. *Q.* Do you know the present constitution of the Commercial Intelligence Department? You have got a Director General, the Directors of the major provinces and Assistant Directors of other provinces. Would that constitution not do?

A. That is a Government organisation. I would suggest that some non-officials who are interested in the industry should be co-opted in an advisory capacity.

15231. *Mr. Mant.*—*Q.* In para. 33 you say that it is not right to bring about an artificial fall in the price of foodstuffs. I take it you mean that while prices are rising you ought to allow the price of foodstuffs to increase correspondingly?

A. Yes. As the agriculturist has to purchase his requirements by paying higher prices, he should also get his price.

15232. *Mr. Seshagiri Ayyar.*—*Q.* Supposing a policy of protection is agreed to, then the people of Mysore would be benefited as much as the people of British India; that is to say, it would have the effect of fostering industries in British India as well as in the Native States.

A. Yes.

15233. *Q.* Under those circumstances you would not want a share of the duties.

A. If it is not intended for revenue purposes.

15234. *Q.* It is only when the duties are intended for revenue purposes that you would like to have a share of it.

A. Yes.

15235. *Q.* Your contribution of 35 lakhs was fixed when the Indian population was contributing about 20 crores of rupees only for military purposes. We are now contributing 62 crores of rupees. You are not contributing anything towards this increased expenditure?

A. It has been thought by the legislators that even military expenditure ought to be curtailed.

15236. *Q.* The customs duties are utilised for the purposes of the army in India. And that army consumes 62 crores of rupees. You contribute only 35 lakhs of rupees. When you are paying only so little are you entitled to demand that portion of the customs duties should go to you?

15237. *President.*—*Q.* May I point out that in answer to a question I put to the witness he said that the amount of 35 lakhs was being paid under a treaty between the Government of India and the State. He does not know the details of the treaty. We cannot assume that the 35 lakhs is a contribution from Mysore for military expenditure. Therefore I did not pursue the matter. Unless we have got the terms of the treaty under which the payment of 35 lakhs is being made, there is no use in arguing the question further.

15238. *Mr. Seshagiri Ayyar.*—*Q.* The cost upon the British Indian subjects has enormously increased whereas whatever may be the original idea, you are contributing only a particular amount. Under those circumstances, when the customs duty is being utilised for the purpose of this increased cost of administration, can you claim any share of it without also at the same time agreeing to bear the extra cost which is being made upon the people?

A. Till recently Mysore used to have a cavalry. It has now got military service lancers. Their contribution is thus enhanced.

15239. *Mr. Coyajee.*—*Q.* You advocate a revenue tariff?

A. Yes.

15240. *Q.* In paragraph 4 (3) you declare yourself against continual assistance to an industry.

A. Yes, we do not want protection for industries which we cannot successfully work.

15241. *Q.* Then coming to para. 32, would you have export duties on raw materials only when the supply of such materials seems to be insufficient for your industries?

A. Yes.

15242. *Q.* That is to say, you think there is some relation between the raw materials kept in the country and the capacities of the manufacturers.

A. Yes.

15243. *Q.* Coming to your answer to Question No. 33 you say that you would not put export duties on food grains when the general level of prices is rising?

A. No, I would not.

15244. *Q.* Suppose the prices of foodstuffs are falling then you would not put it up?

A. No.

15245. *Q.* In your answer to Question No. 34 you say that export duties cannot be used for purposes of retaliation. Will you please explain what you mean?

A. Retaliation can only be done when we are equally competent to compete.

15246. *Q.* For some time until you become competent you would not use export duties as a weapon of retaliation.

A. No. It is only when our position improves that we can do it.

15247. *Q.* As regards your last paragraph, about Native States getting some portion of the Customs, don't you think that you in the Native States are better off than we in the provinces? We contribute substantially to the Central Government, whereas though it is true you don't get any portion of the customs you are better off than the provincial Governments.

A. That is only an internal arrangement between the two Governments. It is all the same whether it is the Central Government or the Local Government. It is the British Government.

15248. *Sir Montagu Webb.*—*Q.* I only desire to question you with regard to your answers to Questions Nos. 30 and 33. I find it difficult to reconcile these two answers. In the one case you advocate export duties and in the other case you do not advocate export duties.

A. I advocate export duty for revenue purposes.

15249. *Q.* You say that an export duty may be used to regulate the foreign trade in the best interests of the country, when it is feared that the raw materials required by the protected Indian industries are being exported in such large quantities as to bring about a rise in prices. In your answer to Question No. 33 you say that it is not right to put on export duties. In the case of wheat for example you must not put on an export duty because it will affect the agriculturist. But in your first answer you do not appear to be considering the agriculturist.

A. In my answer to Question No. 33 I speak of an export duty with reference to foodstuffs. In my answer to Question No 30 I am talking of raw materials for industrial purposes.

15250. *Q.* Then you adopt an entirely different attitude for raw materials?

A. Yes.

15251. *Q.* You would not regard wheat as a raw material for the manufacture of flour?

A. I consider it as a foodstuff.

15252. *Q.* In the case of foodstuffs you do not advocate any export duty?

A. No.

15253. *Q.* You advocate an export duty in the case of other raw materials?

A. Yes.

15254. *Mr. Narottam Morarjee.*—*Q.* In your reply to Question No. 5 you say "When all the civilised countries of the world are vigorously pursuing a policy of re-construction, it is but right that India should take stock of her goods and formulate a policy which would ensure her further progress in the future." Have you any definite scheme to place before this Commission?

A. Several questions will have to be settled in the matter of trade, industries, banking, more transport facilities questions regarding capital and labour, etc.

15255. *Q.* You have not got any definite scheme?

A. For the present I have not got anything. I think all these questions have got to be settled by a special committee.

15256. *Q.* In answer to Question No. 25 you say that we need not be alarmed by any serious shrinkage in the volume of trade due to protection offered to a few well-selected industries. Which are those few well-selected industries? Could you name them?

A. Industries such as cotton, hides and skins.

15257. *Q.* You mean the key industries?

A. Yes.

Witness No. 102.

Mr. S. G. SASTRY, B.A., M.Sc. (Lond.), F.C.S.

Written statement, dated the 27th January 1922.

15258. *Q.* 1. That India requires some measure of protection in her trade, commerce and industries, will be disputed by few people at the present time. The raising of the import duties from 5 to 11 per cent. though intended for revenue purposes, gave some sort of support to those industries that had recently been started in India. For example high class Indian made soaps could compete better with high grade English and American soaps. The Indian cotton industry benefited by it to a great extent. But on the other hand industries which depended partially or wholly for some of the raw materials from abroad had to pay higher rates. For example, all the sulphuric acid manufacturers in India import the sulphur from Japan or Sicily. These people had to pay an increased duty, even though the manufacture of sulphuric acid may be considered as one of national importance. In such case as there, a rebate should be allowed to the industry, but more about this later.

15259. *Q.* 2. The industries that require protection in India may be put down under two classes :—

(*i*) Those industries for which all the raw materials or the bulk of the raw materials of the requisite grade or purity exist in this country. Examples of these are the oil pressing industry, oil industries such as making soaps, candles, glycerine, paints, varnishes, tannin extracts, leather and leather goods, silk goods, certain classes of glass, a number of essential oils, certain varieties of paper and paste board, certain classes of stationery, umbrellas and umbrella fittings, etc. All these require varying measures of protection according to their special needs. Small sub-committees consisting of specialists in the line should be formed to recommend the exact form of protection required for any particular industry and for how long the protection is required.

(*ii*) Those industries which may be classed as of national importance irrespective of whether the raw materials exist here or not. Iron and steel works, cement works, manufacture of heavy chemicals like sulphuric acid and the alkalies, manufacture of artificial manures, ordnance factories (under Government control), etc., may be quoted as examples. The precise nature of protection should again be decided upon by a committee of experts, and in this case including Government representatives also.

15260. *Q.* 3. Under a system of protection, the price of many of the commodities will tend to rise. But there are other advantages to the country which will compensate for this disadvantage. Moreover the limit to which the price may go up is also fixed by the measure of protection given and also with different manufactures in India competing with each other the price will not go up in any alarming degree. In such a vast country like India, people in different parts exhibit such different temperamental characteristics, that fears of monopolistic and semi-monopolistic tendencies may be put aside for the time being. Even if such a contingency exists, legislation may be introduced to prevent the formation of trusts. The danger of trusts and trade rings exists more amongst those that have

come from outside India with a huge capital at their back and with a superior organisation. For example, if the conditions are favourable the Brunner Mond people or the Magdi Soda Company people would like to control the alkali production and trade in India. The Port Sunlight people would like to control the soap manufacture in India. The Standard Oil Company of America would like to control their special line here. Probably they are all doing it now or are having a good try at it. They all have the money, organisation, producing capacity and lastly they are all so much experienced in the line. The above examples also serve to indicate the immense difficulties that merchants and manufacturers will have to surmount before big and important industries can be securely established in India.

15261. *Q.* 4. It is more than probable that when India goes in for protection that foreign firms will set up their manufacturing shops in India. In addition to this probability there is the Senior Trade Commissioner in India urging them to do so. The following extract from the Senior Trade Commissioner's report will speak for itself. "In my last report I dealt at some length with the competition of Indian made soaps for household use. The remarks then made still hold good, and I believe that this is the only serious competition which we may meet in the future. *Should this competition ever become really serious, owing to protective duties or other causes, then the only way to counter it would be for British manufacturers to erect works in the country.*" Under such circumstances it is of utmost importance that measures should be passed to see that at least 75 per cent. of the shares of such companies should be held by Indians.

Here a difficulty may crop up. The requisite technical skill may be lacking in India. But this can be surmounted by importing technical experts for temporary periods and during this period sufficient number of Indians may be trained. What can be accomplished in this way can be easily gathered by a close study of the development of Japanese industries. Whenever large orders are placed with foreign firms by Government departments a condition should invariably be laid down that a couple of Indian students at least will be admitted into their factories and workshops. It is a well-known fact that the Government of Mysore have a working agreement on this basis with the General Electric Company of America. The recent industrial activities in India have shown that Indians given adequate facilities in such direction, can acquire great technical knowledge and skill in various industries.

15262. *Q.* 5. Adequate provision should be made in the interests of Indian industries against dumping. It is to the advantage of India to get as cheap as possible, things which she is not in a position to manufacture. But the attempts of interested foreign firms to give a death blow to particular Indian industries should be frustrated by heavily taxing such articles. For example a heavy import duty may be levied on all imported soaps, finished leather and leather goods.

15263. *Q.* 6. All articles that will materially assist the Indian manufacturers should be allowed to be imported duty free. In the early stages of Indian development under a system of protection we may have to allow free imports of a number of heavy chemicals, such as caustic soda, sodium carbonate, bleaching powder, sulphuric acid, copper sulphate, etc., synthetic dyes should be allowed duty free.

15264. *Q.* 7. Articles that are now exported in the state of raw materials and that are capable of being converted into manufactured or partially manufactured articles should be subjected to an export duty. Oil seeds, raw hides, tanning materials, crude lac, articles from which essential oils can be produced such as ajwan, till, etc., articles from which valuable drugs can be extracted, such as nux vomica, cinchona senna, etc., must all be subjected to an export tax.

15265. *Q.* 8. It is but natural that many countries may retaliate as soon as India goes in for protection, and if India is to have complete fiscal autonomy, the power thus gained may be used for offensive and defensive purposes and arrangements may then be concluded between various countries in these fiscal matters to the best advantage of India.

15266. *Q.* 9. And so long as India does not enjoy fiscal autonomy no special advantage is to be gained by India in a scheme of Imperial Preference. In fact, frankly put, one of the chief countries against which India will have to put up a fight in purely industrial and commercial matters is Great Britain and a great measure of protection now sought for is against Great Britain. In this matter the different units of the Empire will have to be treated on a par with other countries.

15267. *Q.* 10. Even though it is a matter between Simla and the Government of Mysore (and there are others who are going to make a separate representation on the subject), the opinion of the Indian States should be taken on these matters and their interests protected. The Indian States while they contribute a very big share of the customs revenue of India are not participating in the benefits of that revenue. Industries that are being developed in the Indian States require the same amount of protection as similar ones in British India. For example, taking the Mysore State into consideration, she is vitally interested in the following:—Oil seeds, industries depending on cheap sources of oil such as soaps, candles, paints and varnishes, lac and lac products, iron, products of wood distillation, the distillation of essential oils specially of sandalwood oil, asbestos products, metal ware, cotton and cotton goods, electro-chemical industries such as electrolytic alkali, carbide, cynamide, paper pulp and paper, pharmaceutical products, chrome products, and a number of other minor products. The Mysore State has a very big stake in the problems now before the Commission and the opinions of her industrialists and capitalists should be welcomed.

The main lines on which protection may be given to Indian Industries is indicated in the briefest manner possible. To elaborate further will make the note unwieldy. The industries mentioned in the note are given only as examples and are by no means exhaustive.

Oral Evidence, dated Madras, the 2nd February 1922.

15268. *President.*—*Q.* Mr. Sastry, you are in favour of protection for Indian industries?

A. Yes

15269. *Q.* In answer to Question No. 4 you say: "In addition to this probability there is the Senior Trade Commissioner in India urging them to do so." Who is this Senior Trade Commissioner?

A. Mr. Ainscough.

15270. *Q.* Is he a Government Officer?

A. Sir Montagu Webb. He is an officer of the British Government.

15271. *Q.* In the second paragraph of your answer to Question No. 4, you say: "What can be accomplished in this way can be easily gathered by a close study of the development of Japanese industries. Whenever large orders are placed with foreign firms by Government departments a condition should invariably be laid down that a couple of Indian students at least will be admitted into their factories and workshops." Would you advocate that policy to secure training for Indians?

A. The point is this: So far as the admission of Indian students in the factories is concerned, it is my knowledge that both parties have a lot to say for themselves. The foreign firms will say: "We have got a hundred years' experience here and how can we give out our trade secrets to you?" At the same time, we are struggling here and we want to develop our industries and we hope to get our industries protected. When big orders are given you should insist that a couple of students should be admitted for training. It may be that they will not be admitted into the secrets of the trade, but it is far better that these students should be wandering about picking up whatever training they can, than that they should not be admitted into those factories at all. If they teach them it is all the better, but if they do not let them pick up what they could. When the Government places large orders, even at the risk of accepting a tender higher by 5 per

cent., they should insist on some of the Indians getting training.

15272. *Q.* You think that this policy would secure to India the necessary skilled labour that she wants for the development of her industries?

A. It will help India to get the necessary skilled labour.

15273. *Q.* You state that the Japanese Government adopted that policy and with profitable results?

A. With profitable results.

15274. *Q.* Where did you get that information?

A. My information is based on the words of some of my Japanese friends whom I met in London.

15275. *Q.* Then you go on to say "It is a well-known fact that the Government of Mysore have a working agreement on this basis with the General Electric Company of America." Will you please let us have the fullest information in regard to this statement?

A. May I respectfully tell you that you can get the information in a better manner from the Government itself than from me.

15276. *Q.* You have put it in your statement?

A. It is a fact that the Mysore Electrical Department regularly send out Mysore students to the General Electric Company to get trained, so that when they come back they may take up the position of officers under the Government of Mysore. It is a well-known fact.

15277. *Q.* Is that in return for giving orders to the manufacturing firm?

A. You can get the information from the Government of Mysore. I am not only in the Chamber, but I am also a Government servant. So I cannot give the information myself.

15278. *Mr. Mant.*—*Q.* Mr. Sastry, you say in paragraph 2 of your statement that some industries which may be classed as of national importance should be protected. Do you mean they are industries which are the basis of other industries?

A. Yes, partly that and partly also there are certain other industries which are of national importance in the sense in which you can take the ordnance factories.

15279. *Q.* That is for war purposes?

A. Certainly.

15280. *Q.* But the instances you give are rather wider.

A. They are industries by the existence of which other industries will come into existence and flourish, what may be called "key industries."

15281. *Q.* You mention iron and steel. These are largely the basis for other industries.

A. Yes.

15282. *Q.* You would single them out for protection?

A. Yes.

15283. *Q.* If you protect these industries, which are the basis for other industries, won't you also have to protect all the industries that are derived from them. You would then increase the cost of all the secondary industries.

A. That is, we are assuming that because we protect them the price will be high and other industries cannot come into existence. That cannot be believed.

15284. *Q.* Don't you think that a protective duty will increase the price of the product?

A. To a certain extent it does.

15285. *Q.* You increase the price of iron and steel. You would then put up the cost of the articles manufactured from them?

A. I submit, Sir, that, even if the price of these materials did go up on account of any protectionist policy we might adopt, the price of these materials would be cheaper than that of the imported articles. For instance we have got iron ore and coal. You protect them. There may be some rise in price. I do not suppose it will be very much costlier to pay for that in India than it would be for us to import it from abroad. Besides when I say it is of national importance, that means that irrespective of the cost it is absolutely necessary for the welfare of the nation.

15286. *Q.* I don't quite follow. You are putting up the cost of these basic industries, iron and steel. That will cause a rise in prices of the articles manufactured from them and in the cost of all the subsidiary industries.

A. Yes, to a proportionate degree.

15287. *Q.* Don't you want to have protection for those subsidiary industries also? I ask you these questions because you are in favour of selective protection. My point is if you protect basic industries you will have to protect practically all industries.

A. Yes, sir. The industries mentioned there should be taken only as examples. There are many more others.

15288. *Q.* Do you mean that you are generally protectionist?

A. Yes.

15289. *Q.* You would protect every industry that can be carried on in India.

A. Yes.

15290. *Q.* In paragraph 4 of your written statement, you say "It is of utmost importance that measures should be passed to see that at least 75 per cent. of the shares of such companies should be held by Indians." How are you going to carry that into effect?

A. It is a matter beset with practical difficulties. But it ought to be done.

15291. *Q.* How is it to be done?

A. Just before a company is registered you can take an undertaking from the company that 75 per cent. of the capital should be held by Indians.

15292. *Q.* Do you say that this 75 per cent. should be issued to Indians or do you at the same time want that this 75 per cent. should always be held by Indians? Suppose an Indian who owns a share wants to sell it. Should he sell it to an Indian or to anybody?

A. That is really a practical difficulty and I want notice of the question.

15293. *Mr. Seshagiri Ayyar.*—*Q.* As regards the question of Imperial Preference, you say in paragraph 9 that "the different units of the Empire will have to be treated on a par with other countries." But would you give the same kind of preference to colonies who do not treat us in the same way as the United Kingdom does?

A. I do not quite understand your question.

15294. *Q.* In the units of the Empire there are a large number of colonies who do not treat the Indians in the same way as the United Kingdom does. Would you give preference to South Africa, for instance?

A. I do not want to give preference to any unit of the Empire because they are all in the Empire. In trade matters no sort of preference should be shown to any of these people, because we are industrially so backward. No special preference should be shown to any of them unless we are going to have a corresponding advantage, that is, unless we are going to get fiscal autonomy.

15295. *Q.* If you find your people are not being treated well in certain outlying parts of the Empire would you give the same preference as you would give to the other parts of the Empire who treat you better?

A. If we have got fiscal autonomy, we can use it for offensive and defensive purposes.

15296. *Q.* Then you will differentiate?

A. Certainly I would.

15297. *Mr. Coyajee.*—*Q.* Do you know of any students from Mysore who have been trained and have started industries under the scheme which you mention? You say "It is a well-known fact that the Government of Mysore have a working agreement on this basis with the General Electric Company of America."

A. There are at least 12 Mysoreans who are now holding responsible offices in the Mysore State. The Assistant Chief Electrical Engineer and the Technical Assistant to the Chief Electrical Engineer were trained in America. There are at the moment two or three students working there.

15298. *Q.* In answer to Question No. 5 you observe that adequate provision should be made in the interests of Indian industries against dumping. At the end of the same paragraph you say that heavy import duties may be levied on all imported soaps, finished leather and leather goods. This seems to imply that there is dumping of leather goods.

A. There is no dumping. There is fear of dumping.

15299. *Q.* You believe that there is a probability of dumping?

A. Yes. I am subject to correction, but I would like to mention one fact in connection with dumping. I was a student at that time. In the year 1905 or 1906 there was some sort of activity in Bengal to start soap manufacture. All of a sudden the price of sunlight soap fell. A cake which I used to buy for 1½ anna I could get absolutely free. Whenever I went to the shop they used to say " take this soap. This is very good. Better use it " and then force it on me. I should think that this action of the soap manufacturers gave a severe check to the progress of this industry to a great extent in India, and being a soap manufacturer myself I feel very keenly on the point. I know the strength of these firms and they could swamp the whole of India.

15300. *Q.* Why do you include leather also?

A. I am engaged in soap manufacture and so that industry came to me foremost. I gave leather only as an example.

15301. *Q.* As regards chemical industries it was suggested to us by an expert that it is much better to use subsidies for the development of chemical industries. He said that chemicals themselves are raw materials for other industries and that it is extremely difficult to devise a satisfactory tariff. Consequently he argued that the giving of bounties and subsidies to the chemical factories is the proper way of dealing with the problem. What is your view.

A. I should like to consider the matter before I commit myself. To this extent I agree with the Industrial Commission that the chemical industry wants protection. But what form of protection should be given is a matter that will have to be decided by others. I submit to the Commission that in the case of these industries special sub-committees should be formed of experts in the particular line and that their opinion should be taken before a final decision is come to as to the particular form of protection.

15302. *Sir Montagu Webb.*—*Q.* In your answer to Question No. 4 you urge that measures should be passed to see that at least 75 per cent. of the shares of new companies are held by Indians. I think that in reply to Mr. Mant you recognised that there would be some difficulty in carrying out this policy in practice. Might I suggest another difficulty? What would be the position if foreign capital did not come in to develop industries under those conditions?

A. If it is permissible, I refuse to believe the possibility of such a condition of things.

15303. *Q.* I suggest to you this for consideration. Supposing I am engaged in the development of industries in actual practice. I want to erect a factory, and I am quite ready to do so. You say " You can only do that on condition that 75 per cent. of the capital is held by some other party." I have the requisite knowledge, but you ask me to place the control of the factory in the hands of some people who I do not think have the required knowledge. Can you believe it to be possible that I with the expert knowledge would place the control of the new industry in the hands of people without an expert knowledge simply to enable them to hold 75 per cent. of the capital?

A. It is very improbable that you would place the control in such a case in the hands of others.

15304. *Q.* Not because I have any objection to the shareholders, but because I feel that they have not the necessary knowledge to control the industry.

A. Even then the man may dictate his own terms.

15305. *Q.* You do not believe that a condition of that kind would prevent the foreign capitalist from investing his money?

A. I do not think so.

15306. *Mr. Narottam Morarjee.*—*Q.* Is your soap factory a joint stock company?

A. At present it is State-owned.

15307. *Q.* Do you export your soap outside India?

A. I have done so to a small extent to East Africa and the Persian Gulf.

15308. *Q.* Can you sell it in competition with English soaps?

A. So far as toilet soaps are concerned, I am doing that.

15309. *Q.* Do you make washing soaps too?

A. Yes.

15310. *Q.* You referred to the control of soap manufacture in India. Do you think that the companies own property in India?

A. I understood in London that they own property in three different places in India.

15311. *Q.* Do you think that the property is intended for soap manufacture in every place?

A. I think it is intended for soap manufacturing purposes.

Witness No. 103.

Mr. P. G. D'SOUZA, B.A., B.L., Director of Industries and Commerce in Mysore.

Written statement.

15312. The subject will be considered firstly as it affects India in general and secondly in regard to its application to Indian States with special reference to the conditions in Mysore. I shall begin by summarising the general principles bearing on the questions raised and then touch on such special points as might require further elucidation. I have added in an appendix statements giving the statistical information on which my conclusions are based.

II. The Need for Special Protection of Indian Industries.

Present Indian conditions require a modification of the doctrine of free trade.

15313. 2. England, though it has attained under a system of unrestricted competition in the home and foreign markets considerable supremacy in trade and manufactures, has latterly found it necessary to modify its policy to a certain extent, when actively opposed by the commercial rivalry of nations that have built up their industrial system on a basis of protection. It is now generally admitted even in England that the doctrine of free trade cannot be accepted without qualification. As far as India is concerned, it cannot be denied that the policy of free trade has been of benefit to it in the past while its capacity for industrial production was latent. Aided by the improvements in communications and facilities for transport, though these are still far from adequate, it has been able to produce and supply in increasing quantities raw materials in great demand in the manufacturing countries of the West, Statistics, however, show that its commerce has increased mainly in two directions, *viz.*, exports of raw materials and imports of manufactured articles, the result being that the bulk of the population has been drawn more and more into the production and extraction of raw materials. Agriculture itself has not undergone much improvement owing to the absence of the impetus which the presence of manufactures would have given to it. In these circumstances, it is of essential importance to provide the people with a greater diversity of occupations in order to impart more economic stability to the country. It is therefore imperative that Indian Commercial policy should, with this view, be directed more and more towards promoting the utilisation of raw materials for manufacturing purposes in India itself and that the tendency towards the increased import of manufactured articles and the export of raw materials should be checked.

Development of Industries possible in India without serious economic upheaval.

15314. 3. It has been urged with some force that as India now supplies much agricultural produce and many raw materials essential for industrial production to other parts of the world, the development of manufactures may to some extent affect the occupations of its rural population and unsettle the market for its products. India's geographical position and resources however render it possible for her to improve her industries without sacrificing the interests of her rural population or her markets, as less than half the labour now employed in agriculture is sufficient with more efficient methods to raise the present agricultural produce, while the

commodities it exports are in keen demand in various parts of the world. Moreover, the expansion of industries, over a vast continent like India, with its low level of education and enterprise, being likely to be slow, can be accomplished without affecting agricultural production nor causing any violent economic unsettlement.

Influence of the War on the development of industries.

15315. 4. The War has shown how new industries can be developed in India even under a partial protection afforded by the stoppage of imports from other countries. Among other examples, I may mention the manufacture of sandalwood oil, the development of the soap industry in Mysore, manufacture of machinery for the jute and tea industries, caustic soda, thymol, silica bricks, etc. Many of the industries that thus came into existence have already begun to feel the effects of competition from abroad and some of them cannot survive without protection.

Protection of Infant Industries.

15316. 5. Though conditions in India are such that in course of time it may be able to produce most of the commodities required by the people it will not be possible to make it entirely self-dependent in the course of a generation. We should therefore first concentrate on industries for which the country offers the best scope and which are calculated to meet the primary requirements of the people. Infant industries for which the natural resources of the country are best adapted should be immediately chosen for protection until they become able to take foot against foreign competition.

III. Methods of Providing Indian Financial Needs and the Levy of Protective Duties.

Protective and Fiscal Duties.

15317. 6. Progress involves a steady increase of public expenditure. Even with the utmost retrenchments India's requirements for its growing expenditure will therefore demand the provision of new sources of revenue. It is a well recognised fact that the scope for any further increase in direct taxation in India is very limited and additional taxation has therefore mainly to be derived from indirect taxes such as customs and excise. At present both these duties are imposed for purposes of revenue. Even though, a new principle of protection is now introduced, it will be impossible to divest customs duties of their fiscal character the only difference being that the protective duties should be first imposed according to the conditions prevailing from time to time, the amount of purely fiscal duties being fixed thereafter.

Principles on which protective duties may be levied.

15318. 7. Protective duties should be levied on the following principles:—

(*a*) The Industry is one that is capable of being established by protection and is either essential to national security or is such that the natural and other resources of India are likely to favour its rapid growth.

(*b*) As between new Industries and established Industries protective duties should be imposed primarily for the development of new industries, but there would be no objection to impose them in connection with established industries where such a measure is necessary in order to organise the industry on a larger scale to provide India with the bulk of its requirements.

(*c*) It is not desirable to impose such protective duties in the case of agricultural produce used as foodstuffs nor is it necessary in India. A small export duty may be levied on cereals and pulses such as wheat, rice, gram, etc., to ensure that only the surplus that remains after satisfying Indian requirements is exported.

(*d*) Such protective duties should not be applied to any necessaries of life unless they can be produced locally so as to meet gradually the bulk of the demand, and any increase in price due to the duties will be only of a temporary character.

(*e*) The amount to be levied in each case will depend upon the importance of the industry, the difference in the initial cost of manufacture and the manner in which the price of the article imported is fixed. The duties imposed should not be such as would raise the price too high nor give an artificial advantage to a few manufacturers and only the minimum necessary to enable the industry to withstand competition should be levied.

(*f*) The aim should be to give protection only so long as the industry cannot thrive in the face of foreign competition. The duties should be decreased or removed as soon as the industry can withstand free competition.

(*g*) Where the industry is likely to be localised bounties are preferable to protective duties. Such bounties may be given also as protection against dumping.

(*h*) In the case of articles in which India has more or less a monopoly or it is in a position effectually to control the supply to other countries, such duties may be imposed even on exported articles as they will either fall on the consumer or promote the export of the article only after passing through a process of manufacture.

(*i*) The power to impose protective duties implies the possession of fiscal autonomy and it would be necessary to allow complete freedom to India in regard to fiscal matters if the duties are to be applied with advantage.

Commodities in whose favour protective duties may be imposed.

15319. 8. On the principles set forth in paragraph 5 above the commodities to which protection may be immediately applied will not be numerous but as the manufacturing power of India is gradually developed it may be necessary to vary them from time to time until a stage is reached when India should be able to deal with other advanced countries on equal terms. Among metals, Iron is the most important from the manufacturing point of view and countries that are able to produce it occupy a leading place in manufactures. India possesses ample resources to be able to develop an Iron industry of its own capable of satisfying all its requirements. Though protective duties may raise its price for a time and increase the cost of railway and other projects, yet, the advantages of making India self-dependent in regard to this primary requisite of manufactures are so important that Government is bound to stimulate its production by every possible means, affording it such protection as may be needed for the purpose. The manufacture of sulphuric and other acids, alkalis and fertilisers is of paramount importance to the country and it is necessary to foster their manufacture also by special protective duties. India imports large quantities of material used in building industries such as cement, bricks, tiles, granite and marbles and paints. These articles are now manufactured in India to a certain extent but the production is capable of unlimited increase. All these commodities enjoy indirectly a large amount of protection due to the heavy cost of transport of the imported articles but as they supply many essential wants no effort should be spared to foster the further development of these industries with due allowance to the factors in their favour. Other articles on which such protective duties may be imposed are cotton, silk, woollen, rubber and leather goods, sugar, glass porcelainware, cutlery, paper pulp and paper, gold thread, matches, chemicals and medicinal drugs that may be locally prepared, oil products that local industries may manufacture, including soaps and candles and paints and varnishes.

The need for the immediate development of an Indian mercantile marine.

15320. 9. It would not be easy to foster the development of a country capable of so much foreign trade unless it has a mercantile marine of its own. It is unnecessary to recount the causes that have led to the failure of many previous attempts to encourage indigenous shipping in India or how jealously other countries guard against encroaches into shipping by a system of bounties or penal rates. The creation of an Indian Mercantile marine has a preponderant claim in regard to facilities to be provided for an all-round development and it should be fostered to the utmost extent possible by bounties and special concessions to goods carried in Indian bottoms.

Other measures needed to stimulate production as a whole.

15321. 10. As has been repeatedly pointed out there is no use in aiming at industrial development if systematic efforts are not made to provide skilled superintendence and efficient labour, to promote technical training and research and

supply the people with the necessary help and information for developing industries. Agriculture should also be simultaneously given facilities for improvement and development especially cheap credit. The Co-operative Credit movement has been of great help to the agriculturists but it has its own limitations and a scheme of agricultural finance on a broader basis with some system of Land mortgage and Agricultural Banks is an urgent necessity and should have a prominent place in the financial machinery of the future. Side by side with the imposition of protective duties therefore, an attempt should be made to improve the powers of production of the country as a whole by greater attention to agricultural development, by educating the people, by promoting technical training, by developing ports, harbours waterways, railways, means of communication, etc., and encouraging indigenous shipping so that the conditions of production may be brought up gradually to the level of other more advanced countries.

Dumping.

15322. 11. So far as India is concerned, it would be an advantage to it to get all commodities that it is not able to manufacture, as cheaply as possible and precautions against dumping will be necessary only either when it is aimed at any particular industry already existing or at one that is likely to be established or there is a general plan to prevent the development of, or capture industries which there is a reasonable prospect of developing in India.

Hand industries to be specially fostered and helped to organise themselves efficiently.

15323. 12. For a long time to come hand industries will continue to retain their importance in our national economy. The bulk of the people live in villages and as agriculture cannot provide them all with subsistence these industries are necessary to promote the general well-being. Moreover, they have the same influence as peasant proprietorship in encouraging a feeling of independence and self-respect, and creating a freer life than is to be found in factories. It is therefore necessary to assist these industries as far as possible to maintain themselves in the face of both home and foreign competition. In the case of weaving coarse and very fine counts and silk fabrics and cheap woollen kamblis, experience has shown that weavers can compete successfully against machine made goods. The removal of excise duties on cotton will prejudicially affect the weavers of low counts for some time. The instability of the industry however is not due so much to the competition of the mills as to inadequate organisation and inability to market the articles on the part of weavers. If systematic attention is paid to the improvement of the condition of the weavers and assistance given to them to use improved appliances and to obtain their raw materials and sell the products without the intervention of rapacious middlemen, they will be able easily to stand their ground. In the case of hand industries therefore assistance should be given only to organise the industry efficiently but should not take the form of any bounties direct or indirect.

Precautions against foreign enterprises taking advantage of Indian Protective duties to assist indigenous enterprise and exploiting the country.

15324. 13. Having regard to the advantages, India would possess for manufactures under a protective system some of the foreign firms which depend for their custom on the large market the country affords, may be induced to start the industries under the altered conditions here. It would be an advantage for more and more manufactured goods to be produced in the country itself whether by local or foreign agency, but precautions have to be taken where such concerns are established by foreign agency, that their superior combination and resources are not used to crush indigenous enterprise. Industrial development in India requires that the people should have adequate facilities to obtain training in factories. When these are under foreign control there will be the same difficulty for Indians to secure admission into them to be trained as there is in factories outside India. No special concessions should be usually granted to foreign firms and concessions when given should be carefully watched. As the object is to promote the development of the resources of India in order to increase the earning power of the people it is necessary to place restrictions in the way of concerns that are established merely to exploit the country and encourage them only if they are prepared to assist Indian development by employing a part of the profits in the country and train Indians as far as possible. A rule should be made that in the case of foreign enterprises a percentage of the capital should be raised in India and a certain proportion of the shareholders should be Indians. In the case of concerns formed for developing coal and mineral resources and foreign enterprises for the cultivation of commercial crops on a large scale the grants should be for limited periods, the duration being sufficiently long to allow of an adequate return being obtained from the capital invested. The chances of large trusts or similar capitalistic combinations coming into existence in India even under a system of protection and their being able to control prices to the prejudice of the people seem at present remote and the contingency, may for the present, be left out of consideration.

IV. Effect of Protection on Prices and Consumers.

Protective duties on articles properly selected will not raise prices permanently and will benefit the country by increasing employment.

15325. As it is proposed to confine protective duties only to the case of such manufactures as may be established with advantage in India on a sufficiently large scale and the bulk of the export trade consists of raw materials, which other countries cannot do without the imposition of protective duties on the limited scale proposed is not calculated to affect foreign trade very much, while on the other hand the development of its own home market will benefit the country.

15326. 14. Protective duties may temporarily add to the price, but if the industries have been properly selected the advantages of cheaper raw materials and labour charges, savings in transport would lessen the cost of production and the increased employment provided for the people and other gains due to increase of local production would readjust the price to the benefit of the country.

Possibilities of liatcq rtion against Indian export not serious.

15327. 15. Every country now uses tariffs for retaliatory purposes. With the exception of machinery and manufactured goods of certain classes that could mostly be produced in India, she is very little dependent on foreign countries and the tariffs will give her a decided advantage in developing her commercial policy as she can apply them to raw materials much needed by other countries. Protective duties may now be levied as special tariff on selected articles. In case India has fiscal autonomy, it may be to her advantage to arrange for preference on the principles of the favoured nation treatment.

V. The Position of Mysore and other Indian States in the scheme of tariff Reform.

Increase in indirect taxation in which Indian States do not participate opposed to their interests.

15328. 16. I have now expressed my general views on a tariff policy for India. Though the country taken as a whole would benefit by a system of protection and the Indian States would get many indirect advantages from such development, their own fiscal interests are however opposed to any increase of indirect taxation in British India that falls on their people without their being able to share in its benefits.

Income from import and export duties has risen more than fourfold in the past 12 years and has doubled in the last quinquennium. Mysore contributes to indirect taxation in British India irrespective of the subsidy more than 25 per cent. of its total revenues.

15329. 17. The total amount of import and export duties excluding the excise duties on cotton manufacture collected at the British Indian ports has risen from Rs. 689 lakhs in 1908-09 to Rs. 2,826 lakhs in 1920-21, the rise during the last quinquennium having been more than double. Taking the case of Mysore, it has been calculated that the people of the State contribute about Rs. 58 lakhs to the British customs being the proportionate amount levied on articles consumed in Mysore, which represents roughly about 20 per cent. of the total revenue of the State. No share in these customs is now given to the State though it makes an independent contribution of Rs. 35 lakhs per annum for the protection it receives from the British Government and also other indirect contributions such as profits of currency, etc., amounting to another Rs. 15 lakhs.

Indian States that now participate in customs duties.

15330. 18. At present, it is only States that lie on the seaboard such as Baroda, Porbunder, Travancore and Cochin or, beyond the limits of British India, *viz.*, Kashmir, to which goods are consigned in bond, that participate in customs. Travancore levies in addition export duties on some of

its articles of export such as cocoanuts and their products, tea, pepper, jaggery, arecanut, tamarind and salt fish, etc.

States have not been compensated for the abolition of transit duties. Customs duties in their general operation on Indian States have the same effect as transit duties.

15331. 19. Most of the States used to levy transit duties which have now been abolished as detrimental to the free movement of trade. The income from such transit duties used to amount to nearly 10 to 11 lakhs of rupees per annum in Mysore and though some of the articles on which these duties were levied were such that the burden could be shifted to the consumers being produced chiefly in Mysore the duties were abolished in order to remove any possibility of restriction on trade. It has been well pointed out, that, in so far as customs duties, paid by the Indian States which have no opportunities of spending them for the benefit of their subjects, are concerned, they become more or less merely transit duties and conflict with one of the fundamental principles in regard to their incidence, as they are collected from the people who derive no direct benefit from them.

15332. 20. The extraordinary elasticity of the customs revenue has resulted in a steady increase both in the rates of general tariff and is of duties on selected articles and as this increase no direct advantage to most of the States concerned, the growth of revenue from this source which is determined mainly by the needs of the Central Government is viewed with much concern by Indian States in general.

Development of Indian States hampered by loss of this important item of revenue.

15333. 21. The inability to derive any benefit from indirect taxes naturally handicaps States having a progressive administration in providing funds required for public expenditure. For instance in Mysore, in addition to a subsidy, where the State makes a further contribution of more than 25 per cent. of its revenues indirectly to the various sources of indirect taxation in British India that fall on the people of Mysore, the want of these resources of taxation has greatly embarrassed the State in providing adequate funds to cope with the increasing demands for the discharge of even such essential functions as overcoming the extreme backwardness of the people in agriculture industries and commerce, spreading education, decreasing death rate, improving sanitation, water-supply, etc. Even though it would be possible for the State to levy export duties on certain articles, which being produced under conditions of special advantage in the State, the tax could be shifted to the consumers in British India and foreign countries, such as silk, copra, now used chiefly for edible purposes, arecanuts, hides, tanning materials, fruits, minerals, etc., and an import duty on articles of luxury such as tobacco, it has hesitated to adopt the measure, as being surrounded on all sides by British Territory, the people have already to bear their share of all customs duties in India and such further duties unless there is a certainty that they would be shifted to the consumers might become an additional impost on the people.

Improvements in fiscal reform cannot be effected without reconciling the claims of Indian States to a proportionate share of customs revenue.

15334. 22. The claim of Indian States to a proportionate share of such revenue and the desirability of allowing them to impose separate export and import duties either to meet their own fiscal requirements or for the development of their own industries consistently with the interests of Indian trade as a whole deserves careful consideration and no fiscal reform will be complete unless suitable provision is made to protect the special interests of the Indian States. Even from the point of British Indian interests the policy of imposing a drain on the resources of such States without any corresponding advantages is calculated to react on the development of India as a whole.

Additional handicaps to developments in States.

15335. 23. Indian States also feel that their development is unnecessarily hampered by their interests being treated as subordinate to British Indian interests, real or supposed, even in matters pertaining to their own internal development, that they have no influence over fiscal and other policies of the Government of India even when these affect their vital interests and that an all-round Indian development is not possible if their special interests are ignored and their co-operation is not enlisted.

Requirements of Mysore.

15336. 23. The State suffers greatly from its remoteness from good harbours and though the interests of trade in Southern India as a whole will be promoted by the development of a harbour near its frontier, *viz.*, Bhatkal, the scheme has not yet received the necessary support on various considerations. Indian Railway Policy is too narrow and dominated by vested interests to give the needed impetus to the proper development of the country and in the case of the Indian States their interests are altogether ignored. The existing Railway system in the State does not coincide with the natural arteries of trade in the central portion of the southern half of the Peninsula. For instance, a through route between Bombay and Colombo is absolutely necessary which will be provided if the Nanjangud Erode Section is completed. A connection between Bangalore and Hosur, and Chitaldrug and Rayadrug will join its railway system to the bordering British Districts, while the want of several other lines cuts it off from its natural outlets into the sea. These extensions are opposed by vested interests with the result that the trade is forced into unsuitable channels leading to much loss. It is needless to dwell on the serious economic waste caused to the State when the bulk of its trade is handled in distant ports over which it has no control and its own merchants are thus deprived of a connection with its own commerce.

Large quantities of chrome, manganese, magnesite, mica, asbestos, corundum and other minerals are now exported from the State, and, though it has the advantage of cheap electric power and can develop an industry in the products yet owing to its fiscal disabilities it has not been able to reduce the export of these raw materials while its unfavourable position in the Railway system has deprived it of a substantial portion of its profits even when the commodities are exported in an unmanufactured state.

Needs of the Mysore State in connection with Indian Fiscal Reform.

15337. 25. So far as Mysore is concerned its interests require recognition in the following respects:—

(1) It should be consulted before any changes in the fiscal policy likely to affect its interests are effected and its industries allowed to participate on equal terms in any policy of protection that may be adapted.

(2) It should be given a share in all customs duties equivalent to the amount levied on commodities consumed in Mysore to enable it to provide the funds needed for creating more facilities for trade by land and sea, and for the development of its resources.

(3) It should be allowed the benefit of all exemptions given to British Indian Governments in regard to materials imported for public purposes.

(4) It may levy export duties on commodities of which it enjoys a partial monopoly, such as copra, coffee, spices, arecanut, silk, hides and skins and tanning materials, forest products, minerals, etc., when such additional taxation is required for its fiscal purposes or for the development of its industries, preference being given to such commodities the imposts on which may be shifted to foreign consumers.

(5) It should also be assisted whenever necessary in the development of an industry for which it is particularly suited by the levy of a general protective duty in case such industry satisfies the general conditions under which such duties are imposed. In addition to commodities it shares with other parts of India it requires special duties on the export of sandalwood for the protection of its Sandalwood Oil Industry and for its manufacture of charcoal pig iron wood distillation products, soap, raw materials for essential oils, lac, nux vomica and other forest products.

(6) As I have emphasised in more than one place measures for the promotion of industries will not have much effect unless the general conditions that influence the development of industries such as shipping, transport and other facilities are simultaneously improved. The interests of the State should receive full consideration in this respect and its powers for the complete development of all its resources should be absolutely unfettered.

(7) The State should be represented on any body that may be appointed to watch the effects of fiscal policy on industry and trade.

Collection of customs duties due to Indian States after claim is recognised.

15337*a*. 26. If the claim of Indian States to participate in the customs contributed by them is recognised there should

be no difficulty in devising a simple method to levy the duties without inconvenience or loss by any one of the numerous ways suggested for the purpose, *i.e.*, either by a system of sending the goods in bond or of drawbacks or division according to population or in proportion to public revenues or public expenditure. I am in favour of the last method.

VI. Organisation for investigating the claims of Industries.

15338. 27. If a protective tariff is to be judiciously applied it is absolutely necessary to provide an organisation that will study the course of trade, watch the effects of such rates within India and elsewhere and propose the imposition or the abolition of new protective duties as the case may be. The organisation may consist of one representative from each of the Chambers of the Imperial Legislative Council, the Chamber of Princes, two representatives of Industries and Commerce, at least one of whom should be an Indian, selected from the various Presidencies with a special representative from the Commercial capitals, such as Bombay, Calcutta and Rangoon and a representative from the important Indian States. For local investigation a smaller organisation may be provided in each Presidency which will submit proposals to the Central Body.

VII. Export Duties.

Export duties to be levied only on articles for which there is a full or partial monopoly.

15339. 28. As regards export duties, the articles have now been mainly selected on account of the full or partial monopoly that India enjoys on account of the demand for such commodities from foreign countries which enables it to levy a tribute from the foreign consumers. The scope for increasing them is limited by the fact that unless confined to the articles for which the demand in other countries is such that it can bear the additional impost they have a tendency to diminish the volume of trade. I am not therefore in favour of the levy of any protective export duties to any material extent unless it is possible to stimulate the use of the commodity for manufacturing purposes within India and cheapen the articles for Indian customers or force the country using the raw material to use the manufactured article. This would be very difficult, for example, though India exports large quantities of bones and hides that are used largely for manufacture in Europe it is not possible to supplant these industries as they are highly specialised and they require a very high degree of technical skill. It is therefore desirable to continue to levy these duties on the existing principles. Mysore supplies the largest quantity of tanning materials. It produces raw silk on a large scale. Its forests abound in articles from which valuable fibres or essences or drugs may be extracted. All these may be worked more or less on the principle of partial monopoly I have mentioned above if the supply is properly controlled by mutual agreement between the neighbouring Provincial Governments and Mysore. In my opinion as I have already explained fully in dealing with similar raw materials from Mysore some restriction should be imposed on the export of these commodities as they can be made to lead to the establishment of important industries.

B. Imperial Preference.

Difficulty to devise any scheme of Imperial Preference likely to benefit India.

15340. 29. The weight of opinion appears to be that so long as India does not enjoy fiscal autonomy no scheme of Imperial Preference is likely to be of advantage to it. More than 60 per cent. of the exports of India under normal conditions are taken by countries outside the Empire while India gets nearly 70 per cent. of its imports from the British Empire. Thus India practically buys from foreign countries only what the United Kingdom cannot supply and exports to them what the British Dominions cannot consume. The aim being to develop manufactures in India, the conditions are such that England is one of the principal countries against which some measure of protection will have to be devised and India cannot afford a diversion of its trade and thereby run the risk of losing half of its markets by joining in a scheme of preference. In these circumstances as has been rightly pointed out preferential trade will only mean an unnecessary sacrifice of corresponding revenue and enhancement of the price of articles supplied by foreign countries. There is no doubt a great deal to be said in favour of the ideals regarding the consolidation of the empire and making itself sufficing but owing to the peculiar position of the Indian Government and the people, it is difficult to evolve any scheme in which the sacrifices it will be called upon to make, will not outweigh the advantages. No definite opinion can therefore be expressed unless the details for a scheme of Imperial Preference have been worked out for all the component parts of the Empire including India and it is known to what extent India would be able to adjust its own fiscal system and assert its individuality. The position of the Indian States in such a scheme of Imperial Preference has also to be considered for though it might be to their advantage to have the benefits of the scheme if India joins in it, cases in which their own interests might conflict with the general arrangement would frequently occur and their place in and relations to such a scheme have to be carefully settled.

Conclusion.

15341. 30. As I am not directly engaged in manufacture or the export or import business or the retail trade and my knowledge of the conditions is due to my association with the Department and the manufacturers and the business men of the State, I do not propose to enter into further details here. I have in the previous paras. referred fully to the Industries in Mysore that need protection and explained how the interests of its trade may be promoted and how the present policy in regard to the imposition of export and import duties in which the State has no share has adversely affected its development.

I.—Statement showing the exports of raw materials from Mysore for comparison with the Indian exports (in thousands of rupees).

	1913-14		1914-15		1918-19		1920-21	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
		Rs.		Rs.		Rs.		Rs.
1. Cotton . . . . Cwt. 1,000	101	33,92	83	24,95	111	99,00	17	45,23
2. Grains, pulses, etc. . . . 1,000	1,330	79,82	812	34,57	807	55,47	306	37,60
3. Hides and skins, raw . . Tons 1,000	26	23,28	3·6	22,98	3·9	28,55	3·4	65,07
4. Hides and skins tanned	...	84	...	1,30	...	4,80	...	11,24
5. Leather unmanufactured	...	27,30	...	52,01	...	70,68	...	104,44
6. Oil seeds . . . . . Tons. 1,000	31	40,82	10·3	11,67	10·3	28,24	17	49,62
7. Oils (castor, cocoanut, groundnut, gingelly, etc.)	...	2,14	...	1,74	...	3,55	...	4,42
8. Tanning materials (barks, myrobalan, cutch, turmeric, etc.) Cwt. 1,000	117	6,79	110	6,57	187	15,79	127	11,01
9. Timber	...	5,82	...	4,80	...	17,51	...	24,52
10. Silk, raw . . . . lbs. 1,000	451	31,72	299	21,61	541	50,89	522	50,61
11. Silk, waste . . . . lbs. 1,000	...	...	62	13	245	2,55	728	8,01
12. Manganese ore . . . Tons 1,000	12·2	62	191	2,28	2·2	27	3·7	32
13. Chrome ore . . Ry. Mds. 1,000	32	56	...	..	546	2,73	58	43

II.—List showing articles imported into Mysore on which customs duties are levied in British India.

(Rs. in Thousands.)

	Figures for 1919-20	Duty.		Figures for 1919-20	Duty.
	Rs. Value of net Imports Rs. (1,000).			Rs. Value of net Imports Rs. (1,000).	
Cotton Manufactures, European	2,680	11% *ad valorem.*	Copper (manufactured and unwrought).	325	11% *ad valorem.*
Apparel	725	11% Do.	Cast Iron (Pig and castings)	131	2½% Do.
Building materials (cement pipes).	415	11% Do.	Iron Wrought and Steel	3,077	2½% Do.
Coal and Coke (Railway Maunds 1,000).	3,704	8 annas per ton.	Tin (unwrought)	402	11% Do.
Explosives	797	11% *ad valorem.*	Machinery and Mill work (other than Agricultural), electrical, steam engines and Miscellaneous, etc.	2,870	3½% Do.
Potassium and Pot. cyanide	234	11% Do.			
Drugs and Medicines	586	11% Do.	Mining Machinery	1,479	2½% Do.
Wines and Spirits, etc., Railway Maunds.	7,471	Rs. 9 per Imp. Gallon.	Materials for Railway construction.	366	2½% Do.
Ale and Beer, etc., Railway Maunds.	5,142	Rs. 0-6-6 per Imp. Gal.	Kerosene oil (Railway Maunds 1,000).	380	0-1-6 per gallon.
Candles	431	11% *ad valorem.*	Liquid fuel	36	7½% *ad valorem.*
Carriages and carts	275	11% Do.	Lubricating oils	314	11% Do.
Motor cars and Motor cycles	21	11% Do.	Salt (Railway Maunds 1,000)	758	
Bicycles and parts	72	11% Do.	Silk piece goods (Foreign)	94	20% *ad valorem.*
Glass and earthenware	470	11% Do	Oilman's Stores	850	11% Do.
Paper, Paste Board, etc.	1,098	11% Do.	Sugar, refined	1,510	15% Do.
Lamp Ware	94	11% Do.	Fish (Railway Maunds)	12,000	
Sewing Machines	61	11% Do.	Matches	731	0-12-0 per gross boxes.
Paints and Colours	194	11% Do.	Glass bangles	68	20% *ad valorem.*
Soap	92	11% Do.			

III.—Statement showing the volume and value of the export trade in some articles on which Mysore can levy export duties.

Articles.	1913-1914		1914-1915		1918-1919		1919-1920	
	Quantity Railway Mds.	Value.	Quantity Railway Mds	Value.	Quantity Railway Mds.	Value.	Quantity Railway Mds.	Value.
		Rs.		Rs.		Rs.		Rs.
1. Tanning Barks	1,68,000	6,72,000	1,42,994	6,24,919	2,10,321	12,62,332	1,54,033	9,65,934
2. Myrobalans	...	...	6,709	27,153	41,840	2,80,762	16,352	1,05,000
3. Cocoanuts	1,70,000	7,76,000	1,06,441	3,21,062	1,63,000	6,30,356	2,97,260	16,45,971
4. Copra	1,69,000	36,52,000	1,05,615	19,74,942	1,66,911	29,54,374	2,42,927	57,17,277
5. Hides and Skins, Raw and Tanned	76,000	24,50,000	1,03,859	25,98,184	1,11,340	34,37,855	10,07,762	76,31,733
6. Leather (mostly unmanufactured)	51,000	32,00,000	72,173	56,29,755	75,399	70,79,464	70,393	1,04,79,438
7. Oil-seeds	8,42,000	40,82,000	2,80,707	11,67,450	5,25,620	28,24,400	4,64,825	46,92,830
8. Silk	5,500	31,72,000	3,642	21,61,000	6,591	50,89,525	6,355	59,61,333
9. Betel nuts	1,10,000	31,99,000	1,21,500	39,80,852	1,22,161	48,86,440	1,56,906	54,02,509
10. Unrefined Sugar, Jaggery and Molasses, etc.	5,68,000	29,85,000	2,72,000	19,59,000	4,44,100	37,22,000	4,29,300	55,67,300
11. Timber	1,55,000	5,82,000	1,28,000	4,80,000	2,72,000	17,51,159	3,32,508	24,52,246

IV.—Statement showing the distribution of Population in the State in relation to Occupation.

Year.	Total population.	Total number of persons dependent upon agriculture and pasture.	Total number of persons engaged in Industrial occupations.	Total number of persons engaged in trade.
1	2	3	4	5
1901	55,30,399	37,43,813	4,00,511	2,78,772
1911	58,06,193	42,43,435	4,43,132	2,36,104
1921	59,78,802	43,50,000	4,23,997	...

Oral evidence of Mr. D'Souza, Director of Industries and Commerce, Mysore, examined at Madras on the 2nd February 1922.

15342. *President.*—*Q.* Mr. D'Souza, you are Director of Industries, Mysore State?

A. Yes.

15343. *Q.* You are in favour of a modification of the present fiscal policy of India?

A. Yes.

15344. *Q.* You would favour protection for the development of industries?

A. Yes.

15345. *Q.* You think that one of the directions in which India should strive to develop industries is in the establishment of an Indian mercantile marine?

A. Yes.

15346. *Q.* Do you think it is economically possible to go in for it? Supposing that there was some loss involved in the establishment of a mercantile marine, do you think that India should face it?

A. Government would be quite justified in subsidising it.

15347. *Q.* You think that India should face it because there are certain corresponding advantages involved in maintaining a mercantile marine?

A. Yes.

15348. *Q.* You are also making representations in regard to the Mysore State?

A. Yes.

15349. *Q.* You summarise your demands in paragraph 25 on page 15 of your written statement?

A. Yes.

15350. *Q.* You say that the Mysore State requires recognition in the following respect. "It should be consulted before any changes in the fiscal policy likely to affect its interests are effected and its industries allowed to participate on equal terms in any policy of protection that may be adopted." Will you please explain how you think this can practically be carried out?

A. This is a very large question and it is very difficult to explain how exactly to apply it. I have not as yet worked out any scheme. Our idea is that whenever any change in the fiscal policy is contemplated and our interests are affected, the State should have an opportunity of expressing its views before any final decision is reached.

15351. *Q.* That is to say, in the determination of the policy or in the application of the policy?

A. Both in the determination and in the application of the policy.

15352. *Q.* I can understand you if you say that in the determination of the policy the Indian States should be consulted, and as a matter of fact you know that H. E. the Viceroy publicly invited Indian States to put their views before this Commission in order that their views may be considered and recommendations made by this Commission in regard to the policy to be adopted for India. Determining the percentage of protection that should be given to particular industries is a different matter. Will you please illustrate your meaning by taking a particular industry?

A. Take, for example, the sandalwood oil industry. We have got the sandalwood oil industry, but there is a certain amount of sandalwood freely exported from India grown chiefly in British India. If that export is prohibited we will probably be able to start a permanent industry in India. Nearly ⅔ of the sandalwood produced in India comes from Mysore. But though all the Mysore sandalwood is distilled into oil in India, if European countries again begin the manufacture of sandal oil, it will be difficult to withstand foreign competition.

15353. *Q.* Surely, once the policy is settled, each State will be entitled to make representations to the Government of India in the matter of the application of a policy which may hereafter be determined, in all cases.

A. But hitherto that has not been the practice.

15354. *Q.* If the future fiscal policy of the Government of India is based on present lines, free trade *plus* revenue duties, then there will be no further room for consultation. But if the policy is changed and protection is adapted, then it is perfectly open to you to make representations to the Government of India as to the manner in which that policy should be applied?

A. That is what we are asking.

15355. *Q.* But you cannot lay down that the Government of India shall consult you because there are many Indian States. Each State that is affected or interested can make representations, and I think the Government of India will be prepared to consider them. But you cannot lay it down that the Government of India must consult you before any changes in fiscal policy likely to affect your interests are affected?

A. We want to have an opportunity of pointing out the effects of such a policy on us. Very often after a measure is decided upon it comes to our notice.

15356. *Q.* On the fiscal policy we would cordially welcome any opinion that you can put before us?

A. The Indian States want to go direct to the Government of India, and deisre that they should have an opportunity of getting their interests safeguarded.

15357. *Q.* I was suggesting that you should. Then as regards paragraph 25 (2) of your statement about getting a share in the customs duties I should like you to tell us about your scheme and whether it is a matter of practical politics. You say in paragraph 17 of your statement that your State is paying Rs. 35 lakhs to Imperial revenues, while you calculate, working on a population basis, that the State contributes roughly Rs. 58 lakhs to the Customs revenues. That comes to Rs. 93 lakhs in all. Can you tell me on what grounds the payment of Rs. 35 lakhs per annum is made? It must be either by agreement for by treaty?

A. There is a treaty. The amount is paid for the advantages of the British connection—chiefly military protection. At the time the original agreement was made the customs duties were not very important, and it was not realised that in the shape of these customs we would also be indirectly paying for the advantages of British connection. The State has agreed to pay Rs. 35 lakhs per annum for the advantages of the British connection, by a treaty in lieu of all other contributions.

15358. *Q.* What is the wording of the treaty?

A. I have not got it here.

15359. *Q.* Can you not tell us approximately?

A. It is on account of the military protection which we enjoy from the British connection.

15360. *Q.* Take, for instance, military charges, the cost of police and other things. The military expenditure works out at Rs. 2 per head.

A. The State has made its own arrangements for internal protection. But as regards the military expenditure of the British Government a part of the army is maintained for preserving order in British India with which we are not concerned, at least we are not directly concerned. We maintain our own police and our own army. So we cannot be called upon to pay for services for which we have made other arrangements. The usual way to take the charges is 50 per cent. internal and 50 per cent. external. The customs revenue has been increased by about 4 times during the last 10 years. Taking all things together we are paying very much more than the people in British India.

15361. *Q.* That is because you work the cost per head of the population.

A. We had a calculation made some years ago on the actual commodities.

15362. *Q.* Don't you get a large number of other indirect advantages besides military protection?

A. We have to pay a very large amount for this. We maintain an Imperial Service Lancers Regiment on which we spend about Rs. 8 lakhs. We give a subsidy and also customs duties the amount of which is continuously increasing.

15363. *Q.* This is a matter which I do not think you can expect the Commission to examine. You had better get your State to make a representation direct to the Government of India, because, as far as I can judge, you enjoy protection for the large military expenditure that is being incurred and also various other indirect advantages that you get by being within the Indian Empire. This is a matter which can only be investigated by experts and I do not think this Commission can possibly deal with it?

A. You were pleased to say that the Viceroy had asked the Indian States to make their representations.

15364. *Q.* Representations as to what the fiscal policy of India should be. I do not think that we are concerned with the application of that policy.

A. But are they justified in raising the customs revenue for whatever purposes to an unlimited extent and impose of greater strain on the people of the Indian States?

15365. *Q.* Supposing that the Government of India comes to the conclusion that it is necessary that in the economic interests of India industrial development should take place, that industries should be protected, and that for that purpose protective duties should be imposed. You do not mean to say that the Government of India should not apply that policy?

A. No.

15366. *Q.* All that you can say is that you can examine that policy as it affects you and make representations to the Government of India so that no injustice may be done to your interests. I ask another question. Suppose imported manufactures compete with industries established in British India and with industries established in Indian States, then what protection India gives to Indian interests in British India indirectly protects your industries also.

A. Sometimes our interests may be in conflict with British Indian interests

15367. *Q.* That is a matter for representation. I am talking to you of the general principle that your industries are as much protected by this policy as industries established in British India and as a matter of fact there has been a fair development of industries in important Indian States throughout India.

A. It is not due to the policy.

15368. *Q.* You would admit that protection would help you.

A. Yes.

15369. *Q.* Therefore it is to your advantage that protective duties should be levied.

A. Yes, but if protective duties are levied in respect of a commodity which we consume, we want a share of these protective duties.

15370. *Q.* It is not, I think, within our power to recommend allocation of customs revenue.

A. That is our legitimate claim.

15371. *Q.* You can make a representation. Then as regards (3) in your answer to Question No. 25 "it should be allowed the benefit of all exemptions given to British Indian Governments in regard to materials imported for public purposes" we have had many witnesses suggest that an import duty should be levied on goods whether imported by Government or private bodies. If that policy is ultimately adopted, you would withdraw your suggestion.

A. We do not want this discrimination.

15372. *Q.* In sub-paragraph (4) of the same paragraph you suggest that the Mysore State should be permitted to levy export duties on commodities?

A. We have got cocoanut which is entirely used for edible purposes. It has got a special value and we want to levy an export duty.

15373. *Q.* Are you prevented now from doing that?

A. We have not done it so far.

15374. *Q.* As far as I know the Indian States have their own import and export tariffs.

A. We are not levying any at present.

15375. *Q.* But you are not precluded from doing so?

A. To levy a new tax, we have got to get the sanction of the Government of India. The export duty will be a new tax according to the treaty terms.

15376. *Q.* Is it a matter of treaty arrangements? As far as I know Indian States are entitled to have their own fiscal policy. They can levy export and import duties as much as they please.

A. We want that power to be specially recognised.

15377. *Q.* Then you say that "the Mysore State should also be assisted whenever necessary in the development of an industry for which it is particularly suited by the levy of a general protective duty in case such industry satisfies the general conditions under which such duties are imposed." Will you please explain what you mean by this? Who is to allow you?

A. There are certain industries which we wish to develop. For example I will give you a specific industry. We are very much interested in the development of the silk industry. We produce nearly a crore of rupees worth of silk. We are not able to develop our industry fully on account of the competition of the Chinese and Japanese silks.

15378. *Q.* In what market?

A. In the Indian market itself.

15379. *Q.* Then you want protection for your industry in the Indian market and not in your own market?

A. The resources of the State are such that this silk industry is capable of very much more development, which would not only satisfy the requirements of India but also could be exported. If protection could be given we could develop it. We also want to develop the Sandalwood oil industry.

15380. *Q.* Do you mean that if a protective policy were adopted, the duty on the imported silk should be so raised as to indirectly help you to maintain that industry?

A. That is so.

15381. *Q.* That is what I have been telling you all along. If a protective policy were adopted, you will automatically get indirectly all the advantages for the development of your industry.

A. There may be particular industries in which we are interested but in which the rest of India is not interested.

15382. *Q.* Silk is grown in Bengal. This must be a matter of private negotiation between the State and the Government of India once that policy is laid down but as a general proposition protective tariffs would automatically help the development of industries of Indian States for which they have natural advantages?

A. Yes.

15383. *Q.* Then in sub-paragraph (6) of the same paragraph you deal with the general conditions and say that "in the development of industries the interests of the State should receive full consideration in this respect and its powers for the complete development of all its resources should be absolutely unfettered." Will you please explain what you mean by that?

A. I have given the illustration of what I mean in paragraph 24.

15384. *Q.* You say the "Indian Railway policy is too narrow and dominated by vested interests to give the needed impetus to the proper development of the country and in the case of the Indian States their interests are altogether ignored". Will you please enlarge upon it and explain to us a little more fully what you mean?

A. For example we have no port to which we could send our goods direct. We have either to go to Madras or to Marmagoa or to Mangalore which is not open. We have not been able to secure an access to a port. Then our railway system is so dominated by vested interests that we have not got the natural outlets which we should have. For instance the Nanjangud-Erode section, which would connect the State with the South, though we asked for this line, there are certain other vested interests which prevent us from carrying out these extensions. We are anxious that our railway system should be adjusted in such a way as to give the best scope for the development of our State.

15385. *Q.* You say that the State should be represented on any body that may be appointed to watch the effects of fiscal policy on industry and trade. Do you want a representative on that body?

A. In paragraph 27, I have explained what we require in fuller detail.

15386. *Q.* There is a constitution proposed. Then you want a representative of the Chamber of Princes?

A. Yes.

15387. *Mr. Narottam Morarjee.*— *Q.* Can you give any instance in which the absence of protective duties has affected the development of industries in your State?

A. I have given instances of the Silk and Sandalwood oil industries and to a certain extent hides and skins. We have got a very large trade in hides and skins. We have started a chrome tannery and we have not been able to develop this fully. We don't derive any benefit from the export duty on hides. It is all taken away by the Government of India and in that way we find ourselves handicapped in the development of our industries.

15388. *Q.* Are there any particular industries in the State which a policy of protection could develop?

A. I have just mentioned that we could develop the silk and sandalwood oil industries with a certain amount of protection. We could also develop our timber and our mineral resources.

15389. *Q.* Mr. Sastri told us this morning that you find that when you import articles from foreign countries or from other parts of India, the freight is very heavy.

A. Yes.

15390. *Q.* But if you had a port, you will be able to export and import foreign articles much cheaper?

A. Yes.

15391. *Q.* That is your argument.

A. Yes. In fact it costs us more to send cotton from Mysore to Bombay in freight.

15392. *Q.* I understand that the State has taken special

steps for the development of industries. What is your experience of these measures?

A. We have adopted a system for the development of industries by the grant of financial assistance, technical advice, etc., and that has been working fairly satisfactorily. The State has also pioneered certain industries, for example the soap factory which is also working satisfactorily. There are certain others which are carried on to a certain stage and then passed on to private enterprise. There are certain industries like the sandalwood oil industry which the State has started and maintains, as it controls the raw product. Under present conditions it is very difficult to say to what extent the State is justified in starting an industry. At present we are trying to take up only such industries as might be a demonstration to the people with the object of encouraging private enterprise and to give full impetus to develop industries.

15393. *Q.* Supposing an industry started by the State is profitable, other people will be able to start industries in competition with the State?

A. There are few such industries, and in such cases full scope is given to private enterprise.

15394. *Q.* What about Hydro-Electric works?

A. We consider that as these water resources belong to the State it is better for it to develop these things. Even in these cases, so far as the State is concerned, the object is not so much to augment its income as to increase the facilities for the development of industries.

15395. *Q.* If the industries started by the State made large profits, were they made over to private enterprise?

A. Yes, they will be. We do not want to increase our revenues by the starting of industries.

15396. *Q.* What are the prospects of the handloom weaving industry in the Mysore State?

A. We have had a remarkable development in the weaving industry on account of high prices of cloth. In Mysore for example we have got silk weaving and are weaving finer counts of cloth required by the well-to-do classes. We have designed several appliances. There has been in short a great deal of improvement in the industry.

15397. *Q.* Is not the silk industry managed by the Salvation Army?

A. No. They maintain a small farm. The silk industry is carried on by private individuals. There is a very large trade done by the people.

15398. *Q.* Has the cloth produced by the handlooms been exported outside?

A. Not outside India.

15399. *Q.* But outside Mysore?

A. Largely.

15400. *Q.* Has the excise duty in any way benefited you?

A. That we cannot say. As I have said in the note the present backward position of handloom weavers is due to the fact that they have not got proper financial assistance, and the excise duty has not had much effect.

15401. *Q.* Would cottage industries be benefited by protection?

A. I don't think that these industries can be improved merely by protection. They are dealt with in a different line.

15402. *Q.* What is the general effect of gold mining in Mysore? Has that been entirely to the advantage of the State?

A. A certain amount of capital has been invested in the State. It provides a certain amount of employment to persons within the State.

15403. *Q.* How do you say that export duties will benefit the trade?

A. In certain articles as I have pointed out a part of India has got a monopoly and the export duty can always be shifted on to the consumer. For example we grow what is called nut which has a special reputation. Formerly we had an excise duty on it which amounted to a few lakhs. The excise duty has been removed and it has not affected the betel price. If you levy an export duty on these articles, it will not at all affect the State in the development of industries.

15404. *Q.* Is the silk produced by the Mysore State better than what is produced in Kashmir?

A. In Kashmir the eggs are brought from Europe; ours are all local. So far as the quality is concerned I do not think there is much difference. There is much room for the development of the silk industry. This is evident from the fact that an Italian firm is going to erect a filature at Kollegal on the border of the Mysore State. Much of the silk at present exported to Europe is in the shape of cocoons and the reeling is done there. That is the reason why I want protective duties with regard to silk so that we might be able to prohibit the export of cocoons and send reeled silk.

15405. *Sir Montagu Webb.*—*Q.* In your answer to Question No. 2 you say that agriculture in India has not undergone much improvement owing to the absence of the impetus which the presence of manufacture would have given to it. Would you please explain exactly what benefit or impetus you consider that the agricultural industry would derive from the presence of manufactures?

A. Agriculture is now suffering from want of capital chiefly.

15406. *Q.* I have never heard of that before?

A. That is what we feel. A great deal of improvement is retarded by the fact that there is not sufficient capital forthcoming for carrying on cultivation on an improved scale.

15407. *Q.* Are you referring to the Mysore State?

A. I am referring to Mysore and also to India generally. If the *ryot* had more capital, he would probably get more crops from his land.

15408. *Q.* I have never heard it said that it is the lack of capital that stands in the way.

A. Capital is not the only thing that is lacking; there is want of trained knowledge also; also other things. The *ryot* now cultivates on such a small scale that he is not able to get the utmost benefit out of his land.

15409. *Q.* You think that the presence of industries would place more capital in the hands of the agriculturist.

A. These two would act and react on each other. When a certain amount of the population leave agriculture and take to industries, those that remain on in agriculture will be forced to adopt labour saving appliances and try to get more out of the land. What happens now is that there are no industries and these people concentrate on the land and consequently there is more labour spent on land than would be otherwise necessary.

15410. *Q.* Then you think that it would be an advantage to draw some labour off the land into the industries.

A. Yes.

15411. *Q.* In order to force those who were left on the land to adopt more up-to-date methods?

A. Yes. These things will act and react on each other in that way.

15412. *Q.* But will not the agricultural labourer multiply up to the same numbers and standards as before, and you will have just the same position?

A. As the occupations are increased, the standard of living also rises, and this would relieve the pressure on the land.

15413. *Q.* I am not sure whether Indian history bears you out.

15414. *Mr. Coyajee.*—*Q.* You observe in your reply to Question No. 10 that "Side by side with the imposition of protective duties therefore, an attempt should be made to improve the powers of production of the country as a whole by greater attention to agricultural development, by educating the people, etc." Does this imply that you want protection as part of a larger programme generally?

A. Yes.

15415. *Q.* Otherwise it would be useless?

A. Yes.

15416. *Q.* Or at least it will lose much of its value.

A. Yes.

15417. *Q.* In your answer to Question No. 3 you say that agricultural improvement is a condition precedent to disengaging labour for manufactures?

A. Yes.

15418. *Q.* So that these improvements must go on side-by-side.

A. That is my opinion.

15419. *Q.* In your answer to Question No. 8, you observe that "on the principles set forth in paragraph 5 above, the commodities to which protection may be immediately applied will not be numerous." Your idea is that we should extend protection by stages, to take the most promising ones first and then carry on the work further as the experiment proves a success?

A. Yes, not exactly the experiment, but as we have exhausted the processes.

15420. *Q.* In paragraph 9 you say that the "creation of an Indian Mercantile marine has a preponderant claim in regard to facilities to be provided for an all-round development." Can you suggest to ask any fiscal measures by which this creation of the Indian Mercantile marine can be promoted?

A. Subsidies would be quite justified, and legislation also could be adopted as in America.

15421. *Q.* In paragraph 28 of your statement you say that it is desirable to continue to levy export duties on the

existing principles. That is to say they should be cautiously tackled. There is some risk there.

A. Yes.

15422. *Q.* In paragraph 29 you say "no definite opinion can therefore be expressed unless the details for a scheme of Imperial Preference have been worked out." Do you mean to say that your idea about Imperial Preference is all dependent on the sort of programme made out?

A. Yes, to what extent we are in a position to develop our fiscal system.

15423. *Mr. Seshagiri Ayyar.*—*Q.* As regards the handloom industry you say that if the excise duty is removed, the handloom industry would suffer.

A. I cannot exactly say that. If the handloom weaver has got proper capital and if his business is properly organised, he will be able to compete.

15424. *Q.* The removal of the excise duty will have a prejudicial effect for some time.

A. Yes.

15425. *Q.* At present there is no duty upon yarn.

A. There is no duty, that is how they benefit.

15426. *Q.* You would not recommend a duty on yarn.

A. No. I am in favour of giving more encouragement.

15427. *Q.* I am unable to follow your answer with regard to transit duties. I take it that these transit duties had the effect of putting the consumer in the Mysore State in a bad position, that is to say, if the person who transmitted the goods into the Mysore State had to pay the transit duty, he would pass it on to the consumer.

A. The transit duties were on products sent from Mysore. We had no transit duties on products that came into Mysore.

15428. *Q.* You used to collect transit duties on goods sent out from Mysore and that was abolished.

A. Yes.

15429. *Q.* Would you like, in case your industry thrives, to have that re-established?

A. No. Customs duties have been increased to such an extent that the taxable capacity of our people has been greatly trenched by these extra levies from British India and we find it exceedingly difficult to find any fresh sources of taxation and the contribution we are now making is very much more than what it was some years ago.

15430. *Q.* Supposing the *status quo ante* is restored, then you have no duty to claim.

A. It is very difficult to say that this transit duties will not be shifted back to the people of Mysore under present conditions.

15431. *Q.* You say in your memorandum that there are about 59 lakhs of people in your province.

A. Yes.

15432. *Q.* You take roughly 60 lakhs and it was pointed out that the military charges come to about Rs. 2 a head.

A. Yes.

15433. *Q.* Making a calculation upon the population you will have to pay something like Rs. 1,20,000.

A. We pay the currency profits and there are many other items.

15434. *Q.* As regards military charges, you would have to pay Rs. 1,20,000.

A. As I have pointed out half of that was for internal protection.

15435. *Q.* Have you worked out the charges as to how much is spent upon the internal protection and how much on external protection?

A. I can work out the details and send it to the Commission, if required.

15436. *Q.* As regards the army, would it not be of use to you, whenever there is any disturbance?

A. We have got enough of our own men for this purpose.

15437. *Q.* You have put down that about Rs. 62 lakhs is spent upon the maintenance of internal peace but unless you are sure of the figures there is no use in pursuing the matter any further.

A. I say that what we pay is much more than people in British India whatever provision you may make for internal as well as external protection.

15438. *Q.* We are largely proceeding on hypothetical lines. In the settlement of a policy of free trade or of protection, are the interests of the people of Mysore in any way different from the interests of the people of British India?

A. We don't say that the interests are different but occasionally cases may arise in which the interests of Mysore may be governed by different principles.

15439. *Q.* Ordinarily your interests are identical with the interests of the people in British India.

A. Yes.

15440. *Q.* I quite realise that there may be peculiar circumstances which would necessitate your being consulted individually.

A. Yes.

15441. *Q.* In that case, as has been pointed out there will be no difficulty in making your representation.

A. Yes.

15442. *Mr. Birla.*—*Q.* Are these your own views?

A. My own. But Government asked me to give evidence.

15443. *Q.* You don't represent the views of the Mysore Government.

A. No.

15444. *Q.* You have touched on the question of foreign capital and it appears to me from what you say that you are a little suspicious about foreign capitalists coming here and establishing businesses under protection. Have you got any special reasons to be suspicious?

A. I have had opportunities of meeting people outside India and many of them have expressed their readiness to start industries here. I don't wish to give specific instances. I have had opportunities of meeting people outside India who have expressed their readiness to come and start industries in India on a joint partnership basis provided certain other conditions were satisfactory.

The thing is this. India is one of the biggest markets for many countries. The moment we start industries here under a system of protection they will lose that market. Naturally those people would not allow the market to be lost easily, and they would like to start their factories in India.

15445. *Q.* Would it be to our interest?

A. For the time being it will support a certain amount of our labour and our people will get the wages. But if they are not going to train us in the higher branches of the industry it will not benefit us in the long run.

15446. *Q.* What has been your experience in the past?

A. We have got our gold mining industry, and even though large loyalties are paid to the Government we do not find that any Indians are trained in mining.

15447. *Q.* Have you got any rule in your province that your students should be trained?

A. Whenever any foreign capitalists are established in India, they have confidence in their own men and they do not admit our men. We have got two mines in the Mysore State, the Gold Mines and the Manganese Mines. In both these our men do not find employment.

15448. *Q.* Have you approached the Government?

A. We have been trying to get our people trained in that way. We have got some arrangement with the General Electric Company to train a lot of people, and that is why we are able to do all our work with local men, with the exception of the man at the top.

15449. *Q.* You want a controlling share in the hands of Indians?

A. I do not say "a controlling". At any rate, Indians should have a substantial share in the capital, so that eventually they may have a controlling voice.

15450. *Q.* Would it be practicable?

A. In Japan there is some arrangement under which control is locally exercised by Japanese. The training of Japanese for every position is insisted upon.

15451. *Q.* What is the percentage of capital subscribed by the Japanese?

A. In some cases, I understand, about 50 p. c. of the capital has been contributed by the Japanese.

15452. *Q.* Is there any rule in Japan that so much capital should be contributed by the Japanese?

A. I do not know that.

15453. *Sir Maneckjee Dadabhoy.*—*Q.* I understood you to say that in your opinion the taxable capacity of your people has been substantially drawn upon by these increased tariffs?

A. Taxable capacity has been drawn upon more than is necessary by increased tariffs.

15454. *Q.* And it is on this ground that you want a share in the general tariff?

A. We have not got money for our own development.

15455. *Q.* Is this position of yours different from that of the people in British India? If that argument applies to your case, it applies with greater force to the taxable capacity of the people in British India.

A. You do take part in the advantages accruing to British India out of this tariff. The provinces are integral parts of British India, but we are not integral parts.

15456. *Q.* You want to share in the money, because you think that there has been a drain on the taxable capacity of your people?

A. Yes.

15457. *Q.* Your people buy these imported goods and if we increase the import duties your people suffer. Is that your argument ?

A. We have not the least objection to the Provincial Governments getting a share of the Customs revenue.

15458. *Q.* Would you not admit that the British Indians are in the same position as regards this taxable capacity ?

A. The people in British India are affected to the same extent as the people in Mysore, but the people in British India share in the advantages accruing from that duty, but we do not.

15459. *Q.* Don't you share in the protection ?

A. Not to the extent that we contribute. We contribute in other ways too: we give subsidies, and there is the profit made out of the currency.

15460. *Q.* You give subsidies not for this purpose, but for sovereign rights. It is a treaty obligation that you discharge. By mutual intercourse with British India, is not your State benefited ?

A. If we get a share in the taxes we would be benefited more.

15461. *Q.* Is not your State benefited very substantially by the mutual industrial and economic intercourse with British India ?

A. Yes, it is.

15462. *Q.* Then, if this system of protection is conceded to India, you will also be indirectly benefited ?

A. The industry for which you give protection may be producing a commodity which our people want, and they will have to pay higher prices for it.

15463. *Q.* That applies also to the people of British India: they will also have to pay higher prices, so there is no real distinction between the two. I quite sympathise with your desire to get as much money out of British India as you can.

A. It is not taking any money out of British India, Sir. We want to share in the duty you raise out of the products we consume.

15464. *Q.* My point is: that there is no conflict between the interests of the people of your State and the interests of the people of British India, so far as their taxable capacity is concerned.

A. The people of British India directly benefit by the duty. Whatever is required for development or for the cost of administration is partly met by means of this additional taxation.

15465. *Q.* You also get a direct return in that you get protection.

A. For that we are paying separately.

15466. *Q.* When were these transit duties abolished in your State ?

A. The last one was abolished in 1906.

15467. *Q.* You reduced these duties not out of philanthropic motives, but to permit of a further intercourse with British India ?

A. We abolished our transit duties thinking that it would develop our industries.

15468. *Q.* Because you thought it would be more profitable to the State to have a freer commercial intercourse ? You thought that these duties would hamper that intercourse. So you cannot blame anybody. It was a policy adopted in the interests of your State. Because you relinquish a certain revenue in the interests of your State, you cannot ask for a share in our customs duties ?

A. It is the British consumer that has benefited by the abolition of these transit duties. That is what I have pointed out.

15469. *Mr. Narottam Morarjee.*—*Q.* How many handlooms have you in the Mysore State ?

A. I have not got the figures just now: I will send them to you later on.

Copy of a letter No. G. C.-301, dated the 13th February 1922, from P. G. D'Souza, Esquire, B.A., B.L., Director of Industries and Commerce in Mysore, Bangalore (India), to the Chairman, the Indian Fiscal Commission Camp.

15470. With reference to my evidence before the Fiscal Commission, Madras, I have the honour to forward herewith for the information of the Commission an extract from the Instrument of Transfer, 1881 (paragraph 5) as a question was raised as to the objects with which a subsidy is paid. In the Treaty of Mysore revised in 1913 this paragraph appears as Article 4 and the words used are identical. I shall be glad to furnish any further information or explanation that may be required.

Extract from the Instrument of Transfer, 1881.

15471. Paragraph 5. The British Government having undertaken to defend and protect the said territories against all external enemies, and to relieve the Maharaja of Mysore of the obligation to keep troops ready to serve with the British army when required, there shall, in consideration of such undertaking, be paid from the revenues of the said territories to the British Government an annual sum of Government Rupees thirty-five lakhs in two half-yearly instalments, commencing from the said 25th day of March 1881.

Witness No. 104.

The HON'BLE RAI BAHADUR K. VENKATA REDDI NAYUDU, B.A., B.L., M.L.C.

Written statement dated the 20th December 1921.

15472. 1. I am the Minister of Agriculture and of Industries in the Government of Madras. I belong to an agricultural community, being a Kapu by birth. I have no personal interest in any industrial concern in the country.

15473. 2. I am giving evidence in my individual capacity. My views are not intended to express the views of the Government of which I am a member, though they do not materially differ. I do not propose to answer seriatim the questions issued by the Commission. I should like to express my views in a general form.

15474. 3. The main question involved in these enquiries is " What is to be the tariff policy of the Government of India including the question of the desirability of adopting the principle of Imperial Preference." In other words, " which do you recommend —(1) Free Trade, (2) Imperial Preference or (3) Protection."

The British Policy.

15475. 4. A brief survey of Britain's trade policy may not be out of place in a discussion like this. Britain like every other country was protectionist in the beginning of her trade development. Perhaps the greatest measure of her protective policy was contained in the famous Navigation Acts. These Acts originally introduced by Cromwell in the year 1651 and rightly called the maritime charter and followed by subsequent Acts of a similar nature and which held sway till the year 1854, were not only responsible for the decline of the Dutch seapower and making England the Mistress of the Seas, but for also laying the foundations of the British industrial supremacy. It is also recognized on high authority that the War of Independence in America and the secession of the thirteen provinces was due to the parliamentary taxation for revenue and not to trade restrictions or tariffs for commercial regulation. In the famous Declaration of Rights drawn up by the Philadelphian Congress, we find

" From the necessity of the case and in regard to mutual interests of both countries we cheerfully consent to the operation of such Acts of the British Parliament as are *bonâ fide* restrained to the regulation of our external commerce for the purpose of securing the commercial advantages of the whole Empire to the mother-country and the commercial benefit of its respective members."

15476. 5. The Corn Laws form the next important feature of Britain's Protection policy. The history of the Laws is so well-known that no recapitulation is necessary here.

15477. 6. The ease with which England passed through her gigantic struggle with Napoleon Bonaparte is only one of many proofs of the efficiency of the mercantile economics, involving a system of abnormal taxation and yet flourishing her industries exceedingly under the operation of continual tariff duties and constant supervision.

15478. 7. It may be interesting to note that the duties on foreign manufactures ranged at that time from 40 per cent. to 108 per cent. and it is said that the number of Acts relating to the regulation of customs amounted to 1,500. Until the year 1820, there was not the slightest demand for free trade in England. Colonial preference there was, for instance, the differential duty on timber, the duty on the Canadian timber being fixed at 10*s*. a load and that of Baltic at 45*s*. But free trade as such was unheard of till 1820. In that year the merchants of London presented a petition to the Parliament demanding free trade. This was the first deliberate expression of that doctrine. It however took 40 years before that policy could be fully accepted by the British Parliament. It was done in three stages. The first of these from 1823 to 1827 was associated with the name of the Huskisson who removed from the Navigation Act some of its oppressive and obstructive provisions but retained the " fair protection of our own productions." The next stage is that of Peel from 1842 to 1846 during which the Corn Laws were repealed as also absolute prohibitive duties, and duties on raw materials and half-manufactured articles. Then came the final stage of Gladstone from 1853 to 1860, when England became a completely free trading country.

15479. 8. The free trade policy thus fully inaugurated in 1860 had full sway for nearly 60 years. In the year 1919 England agreed to levy preferential tariffs on certain articles produced or manufactured in British Colonies and Dominions and in the current year, 1921, England passed her Safeguarding of Industries Act. Both these measures have deprived England of her claim to be yet known as a complete free trade country. Even during the 60 years during which she was entitled to that claim, her Colonies did not accept that policy either fully or without demur. Cobden himself who was so much responsible for the introduction of a full free trade policy did not hesitate to make a treaty of preference and reciprocity with France and both Gladstone and British approved of his action. From 1850 to 1876 the Colonies were busy with securing self-Government. On that account there was not much agitation over the free trade policy. But even during that period at a Colonial Conference held at Melbourne in 1871, resolutions were passed demanding the removal of restrictions that prevented one Colony from giving preferential treatment to another British Colony, that of restrictions on preferential tariffs. These resolutions were repeated in 1873 and the result was the introduction of the Australian Colonial Duties Act by Lord Kimberly. In 1881 Canada tried to obtain the clauses in the Belgium and German treaties of 1862 and 1865 by which England denied herself the freedom of accepting any advantages in her colonial markets which were not also extended to these two countries. Queen Victoria's Jubilee of 1887 gave an immense impetus to the Imperialistic sentiment and to a desire to have something tangible to make Great Britain and her colonies feel and realise their unity. Carlyle described the British trade policy as " the hide bound political economy system." J. S. Mill had, by that time, admitted that temporary protection might be adopted in a young colony to start new industries. In 1891 the Chambers of Great Britain and Ireland met in Dublin and resolved to favour closer trade relations within the Empire. In 1897 Canada gave a preference of 15 per cent. on all products coming into Canada from the United Kingdom. In 1902 or 1903 the late Mr. Joseph Chamberlain unfurled the banner of Imperial Preference. Then followed the Imperial Conferences and the Great War which as already stated made England accept a preferential policy in 1919 and protection in 1921.

The Indian view.

15480. 9. With Indian publicists it is perhaps an axiomatic truth that if almost every Britisher is a born free-trader, every Indian is more or less a born protectionist. Great Indian writers and publicists such as, Romesh Chandra Dutt, Gopala Krishna Gokhale, the late Justice Ranade and industrialists like Sir Vithaldas Thackersay and Diwan Bahadur Ambala Desai have often declared that protection is the only policy for India. That the manufactures of the country must be built up is not only the desire and ambition of every Indian but that these industries alone can grapple with the awful problem of famine and of unemployment is a recognized canon with them. Our industries are in their infant stage and they must needs be nurtured behind a high wall of protective tariffs. The Swadeshi movement of the Bengal Partition days and the more aggressive Gandhian propaganda of our own times are all forms of a voluntary protection, if one may so describe it: and considering that in all countries it is a recognized doctrine that infant industries do require protection, every Indian to-day believes that the industrial salvation of this country lies only in protection. In fact, there are many who believe that industries alone can raise the standard of intelligence and develop the progressive spirit of the nation. There are many who believe that a diversion of agriculturists' labour to the industrial field is an absolute necessity in the interests of the country and that this course, far from in any way injuriously affecting agriculture, does promote that very industry by a sort of reflex action. The introduction of machinery into our agricultural industry is retarded largely by the cheap and excessive labour available in this country. If we can divert a portion of this labour to other industries, it will be more easy to induce the Indian agriculturists to take to machinery and modern methods of agriculture.

15481. 10. The essential weakness of Indian industry is lack of initiative, and some sort of encouragement must be held out to foster, nurture and to develop the sense of this initiative. That can be done only by protection. The economic reason generally advanced by free traders and those that oppose protection for India does not appeal to the average Indian. In fact, he is prepared to suffer economic losses in the beginning, if eventually his country is to rise in the scale of the great industrial nations of the world. In England, Germany and United States, the average Indian sees great wealth, national prosperity and civilization and all these he attributes to the industrial development of those countries, and his one ambition always is to see that his own country should become as large an industrial country as any other and considering the natural potential resources of this land he feels that he is handicapped and wants to have a countervailing handicap on other countries so that he himself might rise in the struggle. We quite see that protection increases the prices of the articles of our needs and thus adds additional burdens on the consuming public. We quite concede that there is no force in the argument that protective duty is paid by the foreign country importing into our country. The nation is prepared to bear this additional cost, for by such sacrifice alone, the nation knows, it can develop its industries. All the clear and forcible reasoning of the free traders does not appeal to the Indians. To them, " your Adam Smiths are nothing," as Fox is said to have once irreverently remarked.

A few free trade arguments examined.

15482. 11. At this time of the day, it is perhaps unnecessary to attempt any refutation of the arguments in favour of free trade. One or two of these arguments are however so incessantly and forcibly put forward that I may be excused if I venture to meet them. In the first place, free trade is defended mainly on what is called the principle of " Comparative cost," which is to the effect that no foreign article whose production at home would be an economic loss to the community, should be excluded by any system of protection, tariff or prohibition. That is quite true. But if the article can be made in our own country at a comparatively cheap cost, I suppose it requires protection in order that it might compete

favourably in the beginning with foreign articles. Take for instance cotton goods. We, in India, are growing cotton. In 1919-20 the area under cotton was something like 23,070,000 acres, next only to the United States which cultivate 33,534,000 acres with this crop. Egypt which comes next to India had an area of only 1,633,000 acres in 1919. In production also we are the second country in the world, our yield being 5,840,000 bales, Egypt's production being only 119,000 bales (400 lb. each). In 1919-20, we exported 2,398,000 bales (valued at Rs. 59,00,00,000). In the same year we imported cotton goods including twist and yarn of the value of Rs. 59,07,92,900. Cotton is exported to Japan, Manchester and other places and comes back to India in the shape of piece goods and yarn. Now the Indian pays the freight for the cotton to go to England or Japan, wages to the labourers in these countries profits to the capitalists there, customs duties and freight back to India, and all these are borne by the Indian consumer. If, on the other hand, Indian grown cotton could be converted as far as possible into cloth in India itself, certainly it can be, in the nature of things, made at a much cheaper cost and made available for purchase by the consumer at a cheaper cost than what he at present pays for the foreign goods. Why then should we not protect an industry such as that? Why should we not put a sufficient tariff upon English, Japanese and other foreign goods until at least India is capable of favourably competing against these goods? Does not the adoption of the very principle of " comparative cost " compel us to resort to protection?

15483. 12. When Indians say that they want preferential tariffs in their own country for purposes of revenue and for safeguarding their industries, they are met by free traders by the familiar argument that protection and revenue cannot by the same measure both be secured successfully. It is said that in so far as protection is successful foreign articles are excluded and no revenue is obtained, whereas if the articles are imported (paying duty) to that extent protection is a failure. But if any revenue is raised the duty is not truly protective, since it has obviously failed to prevent goods paying revenue from entering into the country. This is obviously an argument in a circle and can be answered by any other argument in a circle. If protection fails foreign articles are not excluded and revenue is obtained. If, on the other hand, revenue is not obtained, it means that foreign articles are excluded and protection has succeeded. There can be as much truth in this argument as in the other one urged by the free traders.

15484. 13. Cobden boasted in 1846 in the House of Commons that he believed that if England abolished the Corn Laws honestly and adopted the free trade in its simplicity there will not be a tariff in Europe in less than five years, and the example of England would be followed in every other country. This prophesy shared the fate of many another prophesy. Even now the Colonies did not adopt the free trade policy of England. Germany, France, United States and Japan, the four great trading countries next to England every one of them is and has always been a great protectionist country. The United States of America for instance began her protection in 1816 and continued it up to this date, and to-day her trade is the largest in the world. Sometimes her tariff, for instance on cotton, was 25 per cent., 35 per cent. and even 60 per cent. Not a decade ago her glass industry was protected by a tariff of 120 per cent. and her mother-of-pearl buttons by a tariff of 1,400 per cent. The fact that no other civilised country, save perhaps a few small countries like Switzerland and Holland, has adopted free trade or has given up protection is the strongest argument in favour of protection. England from her peculiar circumstances adopted free trade after the disappearance of the Dutch merchantmen, after herself becoming the undisputed Queen of the Seas, after developing her own industries to the fullest extent and at a time when no other country was producing even a tenth of what she herself was producing. In 1860 industries did not reach anything like a developed stage in Germany, France or United States, while Japan was unknown even as a power, much more as a trading power. Later when England herself was threatened, when these latter countries had fully developed their industries and were formidable competitors in the world's markets, England felt the difficulty and the Preferential Tariff of 1919 and the Industries Act of 1921 are the result. I do not suppose born free trader as he is, the Britisher will to-day seriously contend that free trade is the only defensible policy.

15485. 14. To defend England's free trade policy and to meet this argument of the great industrial countries of the world not adopting such a policy, great writers like Armitage Smith had to fall back upon " the nature of trade of other countries and on Great Britain being unable to provide herself with sufficient food and raw materials." He says that raw materials and foodstuffs together count for nearly 75 per cent. of Great Britain's imports, while manufactured goods are 75 per cent. of her total exports and that this is not the case with any other country. If this argument is correct then surely we in India will have to be classed along with those other countries which adopted protection. We are able to provide ourselves with sufficient food and we have an abundance of raw materials. We do not manufacture anything worth mentioning. Consequently we can adopt protection.

15486. 15. Mr. Armitage Smith raises two other objections which may well be noticed. One is that under protection industries are apt to be either abnormally stimulated or to overproduce as was the case with the sugar industry in France some twenty years ago. I do not think that such a state of affairs will ever occur in India. Our vast country, immense population and our infinitesimally small production at present in manufactured articles can leave no chance of over production at any rate in the next fifty years. The other argument that he advances is that syndicates will be formed and they will maintain high prices. The " United States," he observes, " the country in which protection has had its strongest hold, have become the home of trusts and corners." He therefore condemns protection on that ground. In India, there is little chance for these trusts to be formed. Trade in India is in the hands of the managing agencies who never concentrate their funds or energies on any one industry. A firm like Parry & Co., for instance, has diverse trades, *viz.*, sugar manufacture, manure manufacture, arrack manufacture and so on and so forth. Tendencies or inclinations in India are in favour of diversity of trades and not in favour of concentration. Very often, existing firms doing business of one kind invest their funds in a totally different business and afterwards become the managing agents of the new business. It will be a long time indeed before anything like syndicates, corporations, trusts and corners will be known in this land.

Why India wants protection.

15487. 16. We advocate protection to encourage Indian industries, to provide work for our own labourers, to invest our own capital, to stimulate our infant industries into striving and energetic adult industries and to stimulate diversity of empolyment. It is thus a patriotic policy. The new duties that we proposed will be a strong incentive for capital to be invested in industries. This will give work to our labourers and naturally it would also increase their wages. The agricultural labourer is at present paid very low and it is easy to divert him to industries without causing much dislocation in agriculture itself. And when the wages of the industrial labourers are raised, the wages of the agricultural labourers also must rise. All these would mean a higher standard of life. A protective tariff also increases our revenue and under the present financial condition of India, this is of the utmost importance.

15488. 17. It is not for me to criticize the financial position of the Government of India. But he that runs may read from the policy that is now being pursued that ere long a stage will be reached when those that hold the strings of the imperial purse will find themselves face to face with bankruptcy. With an area ten times as big as the British Isles and with nearly five times as much of population, our revenue stands at 120 crores of rupee of which exactly half goes out for military expenditure with every prospect of increase. And now a policy of borrowing

is being carried on and what with paying off earlier loans and with the sinking fund, working expenses and interest, how much of the balances of the revenues will be reduced by the amounts that have to be paid in the near future on these accounts, is a matter for the financiers at Delhi to discover. Exchange is likely to cause some deficit for, if I am not mistaken, Mr. Hailey valued the rupee at 1*s.* 8*d.*, whereas it is now worth somewhat between 1*s.* 3*d.* and 5*d.* The railways also may not bring in as much as anticipated. And if the recommendations of the Railway Committee about the separation of railway finance from the general finance of the country were given effect to, it would create a hopeless muddle. But considering the report of the Railway Finance Committee, fortunately this is not likely to be followed. But even as things stand at present, it is believed in well-informed circles that the Indian budget may have to open with a minus balance of some twenty crores of rupees. Such or nearly such is the deplorable state of affairs even after bleeding provinces like Madras and United Provinces. Their original deficit was estimated at only six crores. But Lord Meston's financial skill swelled it to ten crores of rupees, and this is to be paid by provinces. The provinces themselves are in no better position. Every province feels hard-pressed to make the two ends meet, while provinces like Bengal go out with minus balance in their budget and yet these provinces are also borrowing and what their financial position would be at the end of ten years if this state of things continues, heaven only can disclose. Our own province after giving up an optional expenditure of 150 lakhs and after effecting a retrenchment of 54·81 lakhs by reducing existing services, will have to borrow, or raise by fresh taxation a sum of 176 lakhs to meet a rigidly estimated obligatory expenditure of 1,329·44 lakhs. How are the revenues to be repleted? No province is willing to tax itself and for our own province the Legislative Council is filled with land-owning classes—at least they are returned by land-holders—and taxing the land is out of the question. Temperance reformers have taken advantage of the situation and have combined with Gandhites to ruin the abkari revenue. How are we to get our money and if our provincial contribution to the Government of India the remission of which is the only way of saving the provinces, is to be abandoned what will become of the Government of India? How are they to obtain their revenues? The only possible solution of protecting themselves is by raising a high tariff wall and thereby increasing the revenues.

15489. 18. I think it is Mr. M. De. P. Webb who postulated that "where demand, labour, materials, and capital are found in the greatest abundance of the best qualities and at the cheapest cost, there trade will develop at great speed." That India has the demand is signified by her imports which in 1919-20 amounted to Rs. 2,07,97,23,960 and in 1920-21 amounted to Rs. 3,35,60,00,000. That labour and materials are found in great abundance goes without saying. Capital there is, but it is not forthcoming at present in the abundance in which it ought to have come. Again this capital need not be in the shape of rupees, and annas, and pies alone. Our exports during the year 1919-20 was Rs. 3,09,01,51,170, though they have fallen to Rs. 2,38,00,00,000 in 1920-21. This gives an index of our capital. Thus having all the four essentials for our trade development how comes it that Indian trade has not developed? A glance at one of the tables attached to this note under the heading of "Comparative statement of a decade of trade development" will show that the United Kingdom has more than doubled her imports and nearly doubled her exports. Canada nearly doubled her imports and increased her exports nearly five times. Australia within the same period raised her imports and exports by one-third. The United States more than doubled her imports and quadrupled her exports but the greatest admiration is elicited by Japan when we find that she reduced her imports from 436 million yens to 173 millions and increased her exports from 513 millions to 2,098 million yens, while we in India could not raise our imports by more than 30 per cent. nor our exports by more than 15 per cent. within the last decade. What is the remedy but protection using that expression in its largest sense so as to include not merely an import tariff, but also every act, policy or economic system which makes for the growth and promotion of industries of a country, by the training of the skilled labour and of an army of officers with sufficient driving directing intelligence, by granting concessions, bounties, loans, foreign scholarships, and by Government itself starting pioneer industries and establishing research institutes and so forth. It is by this protection of an all-embracing character that it is proposed to develop industries in this country. I have often heard it said that industries are not created by tariff laws and that even industrial and technical education does not create these industries. That is true. But it is almost also begging the question. We can never stimulate the creation of new industries in this country without sufficient inducements. Nor can we start or develop our industries without sufficient mechanical skill. Industrial education and tariffs may not create industries. But they generate sufficient incentive to create new industries or at least stimulate a desire amongst the capitalists to take advantage of the tariff laws and of the trained human material available for starting and working new industries. If our protection ends with tariff laws and our endeavour to create industries stops with giving industrial and technical education, certainly it will not go a long way. But with protection of a wider character just described, it is more than possible and it is almost certain that industries will be created and developed in this country.

15490. 19. Manchester need not look at any protective policy of ours with dismay. We will be setting up mills and constructing factories and there will certainly be enormous demand for English machinery and the products of Yorkshire Workshops. In coal and iron we can never compete with England. We want their iron goods and their machinery. Let England give us only a helping hand. In fact as a Japanese Minister in London said nearly a decade ago, "whatever Manchester might lose, would be more than made up by Oldham town, Birmingham or Sheffield. The British nation taken as a whole would thus have nothing to regret in the industrial development of *India*." (The Minister used the word *Japan*.)

15491. 20. One important question which is often asked as regards the effect which an Imperial preference and Indian protection will have upon great English firms coming down to India and starting industries on a large scale may well be answered here. For my own part, I do not view with disfavour any such development, provided the Englishmen concerned domicile themselves in India for the time being, employ their capital on the basis of the rupee and not on a sterling basis, give a chance to Indians to subscribe for a certain portion of the shares, in the concern, and train our men in the various kinds of work from the lowest to the highest form of business connected with the particular industry. I really do not see why we should not welcome the idea of Englishmen coming down to India, settle down here in large numbers and work out the industrial salvation of this country. We ought to invite them for such kind of work and be thankful to them. The Steel Company which is said to be being organized by Messrs. Burn & Co., of Calcutta to work the iron which is believed to be found almost on the surface in Bihar and Orissa is one of the best examples and provided the conditions above mentioned are fulfilled, I for one would welcome a great many more Englishmen to come to this country and establish themselves and protect themselves and the industries which they might start, if necessary, behind the high tariff wall that we might raise. It means prosperity to them and prosperity to this country. It means work for Indian labourers. It means greater employment in this country to our labourers whose services can be later on extended to other industries in our country. It also means cheap production of articles for Indian use. I therefore have not the slightest objection for foreign capital being employed in any of our industries provided as I said the conditions referred to above are fulfilled.

Preferential tariffs.

15492. 21. Free trade for India being out of the question, the more important problem for immediate consideration seems to be Imperial preference. This

problem started nearly thirty years ago and taken up enthusiastically by Joseph Chamberlain is just now being agitated in England with a certain amount of vigour and even success. Canada was the first of the British Colonies which favoured the motherland with preferential tariff. As early as 1894 the Ottawa Colonial Conference declared in favour of preferential trade within the Empire and in 1897 Canada gave a perference of 15 per cent. on all products coming into Canada from the mother country. Two years afterwards, she extended that preference to 25 per cent. and two years later, to 33⅓ per cent. and it continues up to the present date.

15493. 22. The Colonial (Coronation) Conference which met in 1902 under the presidency of Mr. Chamberlain passed resolutions advocating preferential trade declaring free trade impracticable, offering a preference in the Colonies for British goods and seeking a preference in the mother country for colonial products and enjoining the Prime Ministers present to take measures to give effect to these proposals.

15494. 23. In July 1906 the Sixth Congress of the Chambers of Commerce of the Empire was held and in April 1907 met the great conference of the representatives of Great Britain, India and the self-governing colonies. The former resolved on the granting of preferential treatment in their respective markets on a reciprocal basis each to the other. The later while recognizing the principle of preferential trade within the Empire, considered it impracticable to adopt a general system of free trade but were prepared to give preference to British goods. According to these resolutions, Prime Ministers of the Colonies were to undertake to place the said resolution before their respective Governments. No such obligation was placed on the Secretary of State for India to take any action whatever in the matter so far as India was concerned.

15495. 24. In pursuance of the resolutions of the above three conferences, it was provided under the New Zealand Preferential and Reciprocal Trade Act, 1903, that an additional amount equal to from 20 per cent. to 50 per cent. of tariff was raised upon certain articles not being the produce or manufacture of some part of the British dominions. Under the Tariff Bill of 1907, the principle of preference adopted in the Tariff of 1903, was extended in the new tariff to a larger number of articles. Preference is generally given by the imposition of a higher duty upon foreign imports than upon similar goods from the British Empire, foreign goods being subject to duties of from 20 to 100 per cent. more than the British Empire goods.

15496. 25. Under article 3 of the South African Customs Union Convention of 1906, a rebate of the duties was allowed on articles, the growth, produce or manufacture of the United Kingdom imported into the South African Union for consumption therein. That was later on extended to the Dominion of Canada, Australian Commonwealth and the Dominion of New Zealand.

15497. 26. By the Customs Tariff Act of 1906 provision was made in Australia for the preferential treatment of certain goods imported from and the produce or manufacture of any of the British South African Colonies or Protectorates included within the South African Customs Union. This is Australia's reciprocal agreement with South Africa.

Government of India on preferential tariffs.

15498. 27. The resolution passed at the Colonial Conference in 1902 in favour of mutual trade preference between the different portions of the Empire, was communicated by the Secretary of State for India to Simla on the 7th August 1903 asking for the views of the Government of India. In reply, that Government submitted Despatch No. 354, dated 22nd October 1903, urging firstly India must not be pledged in advance to accord equal treatment to imports from all countries alike irrespective of the treatment meted out by such countries to India's exports, secondly with regard to preferential trade the Government of India observed—

(*a*) without any such preferential system India already enjoyed a large measure of advantages of the free exchange of imports and exports.

(*b*) by such a scheme India offered something but not much to the Empire. On the other hand, India had very little to gain in return, but had much to lose or risk,

(*c*) there was danger to India by reprisals by foreign nations and these might be disastrous unless India was assured of benefits greater and more certain than any which had so far presented themselves to the Government of India.

15499. 28. In submitting this reply, the Government of India felt it necessary to observe that the Indian tariff was entirely meant for revenue purposes and not for protection, and had to struggle hard to point out when a certain amount of protective effect could not be denied, it was quite insignificant. How far the Government of India would stand by their observations in sub-clause (*a*) *supra* that India was enjoying a large measure of advantages of the free exchange of imports and exports is not for us to suggest. But considering that within the last 20 years, India has not made anything like a proportionate progress in her trade when compared with other countries of the world, it will not be an easy matter for them to any longer hold that view. In 1902-03 India's imports were £74,466,0000 and her exports were £86,264,000. In 1918-19 her imports were £112,686,000 and her exports were £159,500,000. In other words, India has not even doubled her trade either in exports or imports. Canada imported less than India in 1902-03, her imports being only £38,000,000. In 1918-19 her imports rose to £239,742,000, *i.e.*, nearly seven times her imports of 1902-03. Canada's exports in 1902-03 were only £41,000,000, that is, half of India's. But in 1918-19 Canada's exports were £264,340,000, that is, she multiplied her exports by more than six times. Canada during these 20 years was largely protectionist and she adopted preference to some extent. India adopted neither and remained a free trader. Further comment is needless.

15500. 29. With reference to observations (*b*) and (*c*) of the Government of India, it may be noted that it is still true that India has nothing to gain by adopting imperial preference and has much to lose. Indian exports to foreign countries are still higher than her exports to Great Britain and her Dominions, if we exclude the years of war. One argument which was advanced by the Government of India namely that India imported more from the British Empire than she imported from the latter countries and India thus became a debtor country and had to depend upon her exports to foreign countries to discharge her net international obligations, seemed to be unavailable during the years of war and immediately after. For during the years 1915-16 to 1919-20 India exported more to the British Empire than she imported from these countries. But unfortunately the year 1920-21 shattered the hopes created by this trade balance, for in this year India imported £147,730,000 worth of goods from the British Empire, while she exported only £73,100,000 to those countries. The old state of affairs has repeated itself. It is impossible to say what it is going to be in the immediate future.

15501. 30. The only preference that India has followed till now is the one involved in the rebate allowed on the exports of raw hides and skins from this country to any other part of the Empire, 15 per cent. being the ordinary export duty and 10 per cent. rebate being allowed on exports to other parts of the British Empire. The main object of this was to defeat the United States of America and Germany from importing all our hides and skins and thus allowing them to monopolise the trade in the manufacture of leather goods. It is possible that after these hides reach Canada they might be taken to the United States. But still, to some extent, the rebate may be effective inasmuch as there will be a declaration that the articles on which rebate is claimed are intended for manufacture in the countries forming part of the Empire. If this reduction of export duty on goods shipped to the Empire is to receive its reciprocity, the other countries of the Empire should have reduced their export duties on goods intended for India. Whether this is the case or not, I do not know.

15502. 31. *England's attitude towards preference.*— In spite of the spirit of imperialism evinced by the colonies in their desire to consolidate the Empire and to make it self-supporting as far as possible, in spite of the resolutions passed in 1902, 1906 and 1907 and

in spite of the actual proof which the colonies gave by granting preference to Great Britain in their tariff laws, Great Britain herself did not reciprocate easily. So great indeed was England's belief in the utility of free trade and this in spite of marked losses in the ex-trade with India. In 1902-03 British exports to India formed 76 per cent. of latter's total imports, in 1913-14 they were reduced to 70 per cent. and in 1920-21 they stand at 60 per cent. How far this steady decrease had induced England to adopt imperial preference in 1919 it is impossible to say. The tables attached to these notes giving the totals of imports and exports into and from the United Kingdom clearly show that the invariably and without exception even in a single year, exports much less than she imports. In fact during the years of war her imports are double her exports and in 1918 her imports amounted to £1,319,318,591 while her exports (including re-exported foreign and colonial produce) came up only to £529,429,094 and in 1919 the figures were almost the same. The explanation for this is in Great Britain's 'invisible exports.' But it is unnecessary to enter into that question here.

15503. 32. But a more important fact is perhaps disclosed by the following table :—

Year.	TRADE OF UNITED KINGDOM.			
	British Dominions.		Foreign countries.	
	Imported from	Exported to	Imported from	Exported to
	£	£	£	£
1901 . .	105,573,706	113,118,264	416,416,492	234,745,904
1902 . .	106,793,033	117,511,482	421,558,241	231,727,297
1911 . .	201,000,074	182,388,079	497,414,497	374,487,353
1916 . .	302,672,650	200,709,444	645,833,842	403,15 ,441
1917 . .	359,034,000	180,152,000	705,134,000	416,605,000
1918 . .	425,020,000	183,597,000	894,319,000	345,832,000
1919 . .	423,034,971	183,453,454	893,115,932	348,910,624

It will be noticed that her imports from British Dominions are just half of the imports from foreign countries, which means that any preferential tariffs on these goods cannot affect her interests much. But her exports to foreign countries are twice as much as exports to British Dominions and this might mean perhaps that if these countries should retaliate or refuse to purchase portion of her goods, England's trade would be injured. From a perusal of the debates in the House of Commons on the Finance Bill in May 1919 it would appear that it was purely on sentimental grounds and on account of the help rendered and the imperial spirit shown by the Colonies and India during the Great War, Great Britain had taken the plunge into imperial preference. It is too soon to see its effects on her trade. Other countries have not yet recovered from the results of war and we do not yet hear of retaliation. Everything went into the melting-pot. Every country is in the process of reconstruction. We must wait and see.

15504. 33. England has granted preferential customs rates to her Colonies and Dominions on the following articles :—

(1) Tea.
(2) Goods liable to *ad valorem* duties, namely, motor-cars, musical instruments and accessories, etc.
(3) Chicory.
(4) Cinema films.
(5) Cocoa.
(6) Coffee.
(7) Fruits.
(8) Glucose.
(9) Molasses.
(10) Motor spirit.
(11) Saccharine.
(12) Spirits.
(13) Sugar.
(14) Tobacco.
(15) Wine.

It will be noticed that most of these are raw materials and as such any reduction in duty will be no loss to the British nation because they work on these materials in their factories and send them out to other countries on which they get large profits. Further, this raw produce generally comes from countries which are either within the Empire or which are otherwise unable to retaliate. Judging from the items, it is only cinematograph films that come from the United States of America. America with her immense trade can afford to ignore this preference on a single article. On articles like raw cotton, which form the chief exports from the United States to England, it grants no preference to her Colonies. That is significant. How far United States will not retaliate, in case England extends this list, remains to be seen.

Canada loses nothing by adopting preference.

15505. 34. Taking Canada next, her imports from the United Kingdom are small when compared with her total imports. In 1912-13, a pre-war year, Canada imported from the United Kingdom only $139,669,724 when her total imports were $692,032,392. In 1915-16 she imported from the United Kingdom $79,680,832, while her total imports were $507,817,159. In 1917-18 she imported from the United Kingdom $81,324,283, while her total imports were $962,543,746, and in 1918-19 she imported from the United Kingdom $73,024,000, while her total imports were $876,745,829. The imports from British Dominions into Canada are not more than 50 per cent. of her imports from the United Kingdom. During and after the war, there is a steady fall in the imports into Canada from the United Kingdom, while Canada's import trade as a whole was increasing by leaps and bounds. Preferential tariffs have not helped the United Kingdom. Canada herself loses very little by granting preference to Great Britain and her Dominions, and when we remember that the trade of Canada is increasing tremendously, there is nothing extraordinary in this. Ten years ago in 1910-11, her total exports were only $297,196,365, while during the last few years, that is from 1916 to 1920, her annual exports have ranged from $1,180,000,000 to $1,260,000,000. Her imports also are immensely increasing. From $472,000,000 in 1910-11, they rose in 1919-20 to $1,150,654,658. Canada's example, therefore, is not of much significance to India. While the trade of other countries was thus developing, India's trade has not much improved. In 1911-12, our exports were Rs. 2,27,85,00,000. In 1918-19, they were only Rs. 2,39,32,00,000. The year 1919-20 is an abnormal year and the exports no doubt came to Rs. 3,09,00,00,000 in that year, but during the year 1920-21, they dwindled down again to Rs. 2,38,00,00,000 thus falling below, by a 100 crores of rupees, even the imports of the year which stood at Rs. 3,35,60,00,000. There is thus practically no increase at all during these last ten years. Again, the imports in 1910-11 were Rs. 1,29,00,00,000. In 1920-21 they were Rs. 3,35,60,00,000. Our imports this year, as observed just now, are nearly Rs. 1,00,00,00,000 above our exports, thus making India a debtor country and when we remember that our exports are mainly if not entirely, raw materials, the loss to India is obvious. We must check these imports, which as already observed are mainly, if not wholly, manufactured goods. How can a preferential tariff help us under these circumstances? An analysis of the imports into India from British Dominions and from the foreign countries will show that nearly 60 per cent. are imported from British Dominions and only 40 per cent. from foreign countries and if a preference is allowed in the tariffs to the British Dominions the result will be that our revenue will fall considerably, without a corresponding advantage: Great Britain imports raw materials with a view to work upon them in her factories and to export the same as manufactured goods, so any preference to her Dominions need not count. But the imports into India are mostly manufactured articles and are consumed here. We do not therefore gain any advantage by preferential tariffs. This need not mean that we should tax on all articles from all countries alike. I do not mind giving preference to British and Colonial goods provided our revenue does not suffer and our industrial development is safeguarded.

15506. 35. While we agree even to this small extent to adopt Imperial preference, we cannot ignore the

part which Germany played in our trade and what effect any Imperial preference on our part would have upon our trade with that country. There can be no denying that Germany is or rather was one of our best customers. To exclude German goods and even Austrian goods would mean a heavy burden upon the people of this country. Much as we may hate these countries for the part they took in the Great War, industrially and economically speaking, it would be almost impossible for India to cut herself off from them. Even England to-day is said to be veering round Germany. If private information can be relied on, it would appear that England is prepared to make concessions in the matter of recovering her debts from Germany. While English ship-building labourers are idle, it is said that many English ships are seen in German dock-yards undergoing repairs. Any policy of Imperial preference therefore will have to be so shaped as not to altogether exclude German goods into India or Indian exports to Germany.

How far India can adopt Preference.

15507. 36. The only way in which India can give preference to England appears to be this. Take the articles which could be manufactured or produced in this country. Such articles must be completely protected and this protective duty must be common as against Great Britain as well as other countries. As regards the other articles, a certain amount of tariff should be raised for purposes of revenue. But an additional rate might be added when these latter goods happen to be foreign goods. Certain goods of Great Britain and her Colonies would thus receive a certain amount of preference. I have taken some twenty-seven articles at random for the year 1920. I find that the total imports from Great Britain and her Colonies into India in that year come to Rs. 1,25,45,54,990, the imports from foreign countries Rs. 82,51,68,970, the total imports being Rs. 2,07,97,23,960. Of these, for the articles selected Rs. 73,24,54,520 come from Great Britain and her Colonies and Rs. 53,71,45,750 come from foreign countries. These come up to the proportion of 58 per cent. from Great Britain and 42 per cent. from foreign countries, while the percentages for the total are 60 and 40 respectively. These articles should receive a pretty high tariff which would protect Indian industries for all these articles can be manufactured or produced in India. On the remaining articles an ordinary tariff for revenue purposes will be levied with certain preference to England and her Colonies. Twenty-three of the articles referred to herein have been examined in the accompanying memoranda. The others also can be examined, if necessary.

What India wants.

15508. 37. The conclusions to which I have arrived may be stated broadly as follows:—

(1) India wants to have a national commercial policy with special tariffs.
(2) India does not want free trade.
(3) India cannot afford to adopt Imperial preference, save when Imperial imports are smaller in quantity than foreign goods and save when the articles concerned cannot be produced or manufactured in India.
(4) India wants protection to a considerable extent.
(5) India wants a pretty high tariff for purposes of her revenue as much as for the encouragement of Indian industrial development.
(6) India wants to impose high tariffs on manufactures which are made in other countries from raw materials exported from this country.
(7) India wants to impose a reasonable tariff on articles which she can produce or manufacture in this country but owing to various causes, especially want of efficient machinery, she has not been able yet to make or produce as cheaply as those other countries.
(8) India does not want to place any tariff upon import of raw materials or intermediates which she requires for her manufactures or upon machinery and other requisites for her industrial development.
(9) India wants to impose a small export duty on her foodstuffs, on exported raw material of which she holds monopoly or nearly a monopoly, and upon raw material which is taken from this country to other countries manufactured and brought back and imported into India as finished articles, as also a prohibitive tariff upon the export of manures.
(10) India wants to give preference to articles produced or made in the British Empire so long as they do not clash with Indian interests.

15509. 38. It is no rabid protection that I advocate. Any such thing might spell ruin to our country. Each article will have to be examined with reference to our production, its export to foreign countries, the need for the same article in those foreign countries, for what purpose the article is used in those countries, and what the effect of retaliation will be on our production. All these and many more considerations enter into a discussion in arriving at any conclusions. Caution of the utmost kind is necessary. Knowledge of detail is essential. Acquaintance with trade conditions in foreign countries is indispensable and any protective duty that may be imposed will have to be circumscribed by all these considerations and should, in any case, be moderate. Our most important consideration is of course to encourage existing Indian industries and to stimulate new industries. Articles which are imported into India in the shape of raw commodities or machinery which aid our industries must necessarily be either free or subject to relatively light duties.

15510. 39. Keeping the above conclusions in mind, it is suggested that import duties might be increased upon the following articles among many other articles:—

	Present duty.	Provisionally proposed duty.
1. Cotton manufactures, excluding twist and yarn	11 per cent.	15 per cent.
(b) Bobins	*Nil.*	11 „
2. Silk and its manufactures	11 and 20 per cent.	15 and 30 per cent.
3. Sugar	15 per cent. 20 per cent on confectionery.	25 and 30 „
4. Paper including paper manufactures	11 per cent.	15 per cent.
5. Matches	As. 12-0 per gross of boxes.	Re. 1.
6. Soaps	11 per cent.	20 per cent.
7. Tobacco manufactured and unmanufactured	Different rates— Re. 1 per lb. Rs. 2-4-0 „ 75 per cent.	Rs. 2. Rs. 3. 100 per cent.
8. Salt	Same as excise.	Three times our excise.
9. Oils	11 per cent.	20 per cent.
10. Aluminium articles	11 „	20 „
11. Liquors	Different rates.	Increased rates.
12. Bangles, glass	20 per cent.	40 per cent.
13. Paints and colours	11 „	15 „

	Present duty.	Provisionally proposed duty.
14. Hardware	11 per cent.	15 per cent.
15. Chemicals and chemical preparations	11 „	15 „
16. Rubber manufactures	11 „	15 „
17. Dyeing and tanning substances	11 „	15 „
18. Earthenware and porcelain	11 „	15 „
19. Cement	11 „	20 „
20. Skins, raw, tanned and dressed, raw hides	Free.	11 „
(a) Boots and shoos	11 per cent.	20 „
21. Tea	11 „	20 „
22. Copra	11 „	15 „
23. Toys	20 „	30 „
24. Spices	11 „	15 „
25. Jute manufacture	11 „	20 „
26. Lac	11 „	20 „

15511. 40. I have ventured to fill in column (4) in the previous page (paragraph 39) with great hesitation, that is, to suggest the rate of duties to be hereafter imposed on the articles mentioned therein because it will depend upon a consideration of the various circumstances referred to in paragraph 38. The increased rates suggested by me were more for stimulating discussion, than for acceptance. I know some of the rates may be far from the right mark. On skins, raw and tanned and dressed and raw hides, I feel a duty might be imposed and it is with that view that I included it in the list. These articles are at present imported free of duty. There may be difference of opinion on this point. And then as regards jute manufactures, some portion of them first goes to Ceylon and comes back to India. Second-hand gunny bags are at present free of duty. I think they should also bear some import duty. Copra again is at present paying 11 per cent. Malabar imports large quantities of copra from Ceylon and there may be objections from Malabar on such duty. The rest of the articles, I think, can bear a higher duty than they are at present paying. I am of opinion also that on articles 5, 12 15 and 21, preference may be given to the British Empire goods. The first twenty-three of the articles in the list have been examined in detail in the memoranda attached. They speak for themselves, and I need not further dilate on these individual items.

15512. 41. The articles on which an export duty is suggested are seven in number:—

	Present duty.	Proposed duty.
(1) Raw cotton	*Nil*	Rs. 5 per bale.
(2) Raw jute cuttings	Rs. 1-4-0 per bale of 400 lb.	50 per cent. increase on existing rates.
Other jute	„ 4-8-0 do	
Manufactures	„ 20 per ton (2,240 lb.)	
	„ 32 do	
(3) Manures—		
(a) bones and bone meal	*Nil*	25 per cent.
(b) fish, guano		
(c) oil cake		
(d) other manures		
(4) Rice	As. 3-0 per maund	As. 8-0 per maund.
(5) Raw—		
(a) hides	15 per cent.	25 per cent.
(b) skins		
(6) Lac	*Nil*	15 per cent.
(7) Tea	Rs. 1-8-0 per 100 lb.	Rs. 1-8-0 per 100 lb.

Of these articles there may be a difference of opinion on the first and the last. So far as cotton is concerned, we are still in an experimental stage so far as the improved varieties are concerned. It requires consideration whether an export duty might not reduce demand in foreign countries and thereby reduce the price with the result that in years when there is a bumper crop and a large area under cultivation for that crop, large quantities might remain unsold and the little that is sold might fetch a smaller price. But our cotton fields are capable of yielding other crops and then the world's cotton production is yet far behind the demand. There is no likelihood of any such contingency arising. Next as regards tea, the present slump in the trade is no doubt an objection against any export duty just now. But then the tea trade is likely to recover very soon and I do not see any objection to continue the present duty. It will be noticed that I did not propose any increase on it just now. Attention may also be invited to the speech of Mr. Innes in the Indian Legislative Assembly on the 18th of March 1921 in which he gave very good reasons for not reducing this export duty.

15513. 42. I have only one other suggestion to make. The question of appointing a permanent Tariff Committee to go into the question of tariffs constantly and to place the tariff policy of India on a scientific and economic basis and to keep it uptodate every year deserves consideration in order to keep pace with the changing conditions of the world's trade. There seems to be such a committee in the United States. The committee need not consist of more than say, 5 or 6 members, each to represent one large port, Karachi, Bombay, Madras, Calcutta and Rangoon. One great objection raised against such committee was that its members might be tempted to suggest changes in the tariff rates too often if only to justify their existence. But suitable safeguards may perhaps be devised to avoid such a contingency.

In addition to the twenty-three memoranda giving detailed information regarding each article, I have prepared about twenty statistical tables containing information some of which has been incorporated into my note above. I have not specially made reference in the note to the particular table concerned in any place, though that would have facilitated verification but a glance at the head notes of these tables first will enable the Commission to find out from what table I was quoting in the note.

Oral evidence, dated Madras, the 3rd February 1922.

15514. *President.*—*Q.* Mr. Reddi, you are the Minister of Agriculture and Industries in the Government of Madras?

A. Yes.

15515. *Q.* You belong to the agricultural community?

A. I do.

15516. *Q.* You have no personal interest in any industrial concern in the country?

A. No.

15517. *Q.* We are very much indebted to you for the illuminating historical sketch you have given of the British fiscal policy extending over such a long period, and I frankly acknowledge the help and assist-

ance we have received in that direction. I take it that you are in favour of affording protection for the purpose of industrial development in the country?

A. Quite so, Sir.

15518. *Q.* You say at the end of paragraph 11. "Why should we not put a sufficient tariff upon English, Japanese and other foreign goods until at least India is capable of favourably competing against these goods?" This I think relates to cotton goods. Do you advocate this measure because you desire that India should become fully self-contained in regard to her requirements of piecegoods?

A. As far as possible.

15519. *Q.* In order to attain that goal you would impose protective duties against all those countries which export to India cotton piecegoods to compete with our local manufacture?

A. Quite so.

15520. *Q.* In paragraph 16 you say: "We advocate protection to encourage Indian industries, to provide work for our own labourers, to invest our own capital, to stimulate our infant industries into striving and energetic adult industries and to stimulate diversity of employment. It is thus a patriotic policy." When you put it in that way, I take it that you would be prepared in order to realise that ambition to pay for it in the way of higher prices to the consumer during the period that your industries are developing and are attaining success.

A. I have answered that in paragraph 10, at the end. "We quite concede that there is no force in the argument that protective duty is paid by the foreign country importing into our country. The nation is prepared to bear this additional cost, for by such sacrifice alone, the nation knows, it can develop its industries."

15521. *Q.* I wanted to emphasise it in your oral evidence.

A. Very well, Sir.

15522. *Q.* In paragraph 18 you advocate a general policy of State help to promote industrial development, it may be by way of tariff or in other directions.

A. In a hundred other ways.

15523. *Q.* Then in paragraph 20, which deals with foreign firms coming and establishing industries in India for the purpose of manufacture, you say you would have no objection. You would not view it with disfavour?

A. Not at all.

15524. *Q.* That is, "provided the Englishmen concerned domicile themselves in India for the time being, employ their capital on the basis of the rupee and not on a sterling basis, give a chance to Indians to subscribe for a certain portion of the shares in the concern, and train our men in the various kinds of work from the lowest to the highest form of business connected with the particular industry." With regard to this I want to ask you a few questions to make your position clearer. You say "provided the Englishmen concerned domicile themselves in India." You mean all foreign people?

A. I prefer the Englishmen to other foreigners.

15525. *Q.* Would you restrict the privilege of establishing industries in India behind a protective wall to Britishers or would you grant it to all foreigners?

A. I would certainly prefer the Britishers to the foreigners. Next to the Britishers I would prefer such colonials as give us equal treatment. The foreigners would come a long way off.

15526. *Q.* You would prefer the Britishers. Would you by regulation or by law prohibit the others from coming, or would you throw open this privilege to all, while giving preference to the Britisher?

A. I should like to put it in my own words. I should certainly have Englishmen in preference to others. Secondly I would have such colonials as show equal treatment to Indians, and those colonials who do not show equal treatment I would like to avoid, and more or less they would be on a par with the foreigners.

15527. *Q.* Would you by regulation or law declare that you would prohibit the others?

A. I would not lay down a hard and fast rule. I would leave it to the executive of the Government of India.

15528. *Q.* Could you give us any practical way in which this preference could be given?

A. I should think each case will have to be judged by itself. You will have to put confidence in the Government of India to work out our intentions.

15529. *Q.* Preference can only be given by some practical means?

A. Yes.

15530. *Q.* Preference to one is a handicap or restriction to another. Supposing there are two people applying for employment and if you give preference to one, it means that you do not employ the other. Now, in this case would you give preference by law in the sense that Britishers alone will be allowed to establish themselves in India?

A. Not alone.

15531. *Q.* What distinction would you make?

A. When nationality alone is concerned I would give preference to Britishers. Other conditions, such as giving training to Indians, etc., being equal, I would prefer the Englishmen.

15532. *Q.* Supposing an Englishman, a German and a Japanese want to establish a factory in India after a protective policy is adopted. What should be the policy of the Government of India? Should they say: "Whoever has the skill and capital may establish the factory," or should they say: "The German and the Japanese shall not, but the Englishman alone could do it."

A. I would leave power to the Government of India to empower any of these firms to establish themselves in India.

15533. *Q.* All three?

A. Yes. They will have power, when the three applications come in, to decide who shall be allowed. We can only give a hint that ordinarily the Englishman should be preferred, other conditions being equal. But supposing the Japanese give us better terms, it should be left to the Government of India to decide whether that firm should come in. I would give discretion to the Government of India, laying down general rules. Ordinarily the Government of India should prefer the Englishman, but if a stranger could give us better terms, certainly the mere fact that the one happens to be an Englishman need not do away with the other considerations.

15534. *Q.* You say: "provided the Englishmen concerned domicile themselves in India for the time being." Would you explain what you mean by "domicile?"

A. I say that they should not manage the business from England. They may, after their service is over, go back to England. They should live at the place of their business.

15535. *Q.* That is to say, the boards of directors should be in India?

A. Yes. The shareholders may be in England, but those who manage the business should be domiciled.

15536. *Q.* Then you say "give a chance to Indians to subscribe for a certain portion of the shares." Would you make it obligatory under law or under regulation that a specific proportion of the capital should be obtained from Indians?

A. I should think so.

15537. *Q.* What would be your proportion?

A. It would depend upon the nature of the business. Ordinarily speaking I should suppose 50 per cent. would be quite sufficient, but it would depend upon a number of other considerations.

15538. *Q.* Then you say: "and train our men in the various kinds of work from the lowest to the highest form of business connected with the particular industry." Will you please explain this point?

A. I have received some complaints, Sir, that though Indians were employed in certain firms it is not right that I should mention the names that even though some high places were given to them they were not allowed to learn the secrets of the business. Of course they are perfectly justified in keeping the secrets of their business to themselves, but if they want to establish firms under a protective tariff, we should insist on their letting our men learn.

15539. *Q.* Would you make it a condition of permission to establish firms in India by foreign people that they shall enter into an agreement to train Indians from the lowest to the highest form of business in connection with that particular industry.

A. I would.

15540. *Q.* If any firm refuses to agree to this condition, would you refuse them permission?

A. I would not allow them to come here at all.

15541. *Q.* Even if the industrial developement of India is delayed by that, you would refuse them permission?

A. What is the good of that firm coming here, if they would not train our men.

15542. *Q.* You have given a very elaborate and interesting statement with regard to Imperial Preference and how according to you, it would work in regard to some of the Dominions. Your position, so far as India is concerned, is: you are in favour of granting Imperial Preference to Great Britain?

A. To a very very *limited* extent.*

15543. *Q.* Will you please explain?

A. I have explained this already. In 1903 the Government of India observed: "(*b*) by such a scheme India offered something but not much to the Empire. On the other hand, India had very little to gain in return, but had much to lose or risk; (c) there was danger to India by reprisals by foreign nations and these might be disastrous unless India was assured of benefits and more certain than any which had so far presented themselves to the Government of India." Referring to these I say: "It may be noted that it is still true that India has nothing to gain by adopting Imperial Preference and has much to lose."

15544. *Q.* Then why do you advocate it?

A. I have got other reasons, but they are not economic.

15545. *Q* In paragraph 35 you say: "While we agree even to this small extent to adopt Imperial Preference we cannot ignore the part which Germany played in our trade and what effect Imperial Preference on our part would have upon our trade with that country. There can be no denying that Germany is or rather was one of our best customers. To exclude German goods and even Austrian goods would mean a heavy burden upon the people of this country." And still you are advocating a policy of Imperial Preference.

A. Quite so, Sir. I recognise it in principle, but not in effect. You will please refer to my conclusions in paragraph 37 of my note. Please see clauses (3) and (10)—

> "(3) India cannot afford to adopt Imperial Preference, save when Imperial imports are smaller in quantity than foreign goods and save when the articles concerned cannot be produced or manufactured in India.
>
> (10) India wants to give preference to articles produced or made in the British Empire so long as they do not clash with Indian interests."

Reading the two together, if you will also see* statement XVI—value of imports of merchandise from principal countries into British India by sea," where the imported articles are mentioned *seriatum* and the countries they have come from are also given, you will find there that I give all the articles imported and the values thereof. If you take that and if you view it in the light of these two clauses, *viz.*, where the imports are smaller in quantity than foreign goods and if you also include articles which can be produced or manufactured in India, very few articles will be left, I simply want to recognise the principle of Imperial Preference for political reasons mostly and sentimental reasons. The sentimental reason is not perhaps easily explained. It is here in Madras we belong to a particular party and we have got a certain attachment to Great Britain, I do not say that others in this or in other Presidencies have not got it. But the stronger ground is this, everybody in India to-day wants to have self-government or Swaraj within the Empire save Mr. Mohani—and even Mr. Gandhi wants only Dominion status. When that stage is reached, what is the link between England and India which will enable any one to say that India is a part of the Empire, what is the link which will bridge the gulf of 6,000 miles of Sea? The only link I can conceive of is this preferential tariff. It may take a long time indeed before we get the self-government, but we want to recognise the principle now in order that we may create that link between England and India.

15546. *Q.* Your position is this . . .

A. We want a lot of machinery from England and if we put all restrictions, the British nation at large, at least those merchants with whom we have to deal and the manufacturers of machinery may retaliate and refuse to sell us machinery. I therefore just want to pacify them.

15547. *Q.* Your position, as far I have understood you (please correct me if I am wrong) is that you want Imperia Preference, and you are prepared to incur some loss.

A. Very little loss at present.

15548. *Q.* You are prepared to accept the principle of Imperial Preference for mainly two reasons: patriotism and fear, patriotism because you wish to remain in the British Empire and you do not think that there is any other link which would keep India and England together if Home Rule is established: and fear that they might retaliate and prevent your getting machinery and interfere with the development of your manufactures. Is that so?

A. Very nearly so. I won't use the word "fear," I would call it "policy."

15549. *Q.* It comes to that—I may be a little blunt. Now, a great student of History as you are, you must know when Dominion status was granted to Canada and Australia.

A. It was about 1876.

15550. *Q.* And when did the Imperial Preference come?

A. It came, I suppose in 1897. That was the first year.

15551. *Q.* That is to say after about 20 years. For more than 20 years there was no Imperial Preference to bind Canada and Australia with Great Britain.

A. Yes; that is fairly correct.

15552. *Q.* The Empire link still remained intact?

A. Yes.

15553. *Q.* Do you think that trade treaties or Imperial Preference are the only directions in which self-governing countries belonging to a commonwealth of free nations can stand together?

A. That at any rate was the view in the colonies. The colonies thought that that was the only link.

15554. *Q.* Don't you think that the link for defence purposes is a far stronger link to bind two nations together?

A. The only trouble is this. How would you distinguish Japan from India. Japan is in alliance for offence and defence with England. (I don't know how it has been altered now.) Yet Japan is not a part of the Empire.

15555. *Q.* Is there no distinction between Australia and Canada on the one side and the United States of America? It is only a link of defensive alliance.

A. I do not say that is the only link.

15556. *Q.* I do not say that that is the only link. But I ask you whether it is not a stronger link?

A. Well, I admit that. But at that rate we can enter into such alliance with any country we like.

15557. *Q.* You could not without the consent of Great Britain. Australia and Canada cannot enter into an offensive and defensive alliance with Japan without the consent of England.

A. That is so.

15558. *Q.* Would you admit that Imperial Preference under present conditions would involve a substantial economic loss to and would you hold that India, to remain in the Empire, India should constantly bear the loss?

A. The loss will be infinitely small. It will not be more than 2 lakhs a year at present.

15559. *Q.* Then, you recognise the principle simply because it will not involve heavy economic loss?

A. I want India to be a part of the Empire.

15560. *Q.* You must then be prepared to incur any loss?

A. Not necessarily.

15561. *Q.* Your position then, is that you accept the principle of Imperial Preference because it will involve very insignificant loss.

A. Not because of it. The cause is that I want India to be a part of the Empire.

15562. *Q.* Then the position is that you are prepared to accept the principle irrespective of the amount of loss involved?

A. Not necessarily; because, while being part of the Empire, we can still claim from the Empire certain concessions consistent with her interests. The time may come when India would develop her industries and be in a position to compete with the rest of the world. Then I would give full preference to England.

15563. *Q.* Then, your position is that India as a member of the Empire should have reciprocal trade treaties with the other members of the Empire to the mutual advantage of one another. Is that so?

A. I would put India on a more favourable position; because we are not in a position to reciprocate as well as the others who have developed their industries wonderfully.

15564. *Q.* You suggest in your report that these views also represent to a great extent the views of the Government of Madras?

A. Yes, on the whole. But perhaps the better course for you will be to take the communication from the Secretary to the Madras Government and compare it with the conclusions I have come to and then you will be able to see the difference.

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*Not printed.

(As the communication did not reach the Commission in time for circulation to the Members, the Secretary of the Commission under the orders of the President read out the following memorandum.

Written statement of the Government of Madras.

15565. The conclusions at which this Government have arrived may be stated broadly as follows:—

(1) The Government advocate for India her own commercial policy with special tariffs and regulated primarily with regard to her own interests.

(2) As a corollary to (1) it follows that the Government do not advocate a free trade policy for India.

(3) The tariff policy should be so regulated as to afford protection to Indian industries and to encourage Indian industrial development.

(4) In other respects, the tariff should aim at the production of as much revenue as possible.

(5) India is willing to adopt Imperial Preference subject to the considerations in paragraphs (3) and (4).

(6) The degree of protection to be imposed should vary with the extent to which, in respect of a given article or class of articles, the possibility exists of encouraging or creating any indigenous industry or manufacture. This is a question to be settled upon a scrutiny of the conditions affecting each article or class of articles, and the policy will therefore vary from time to time. Broadly speaking, the policy should be frankly protective in its ultimate aim where India possesses the necessary raw material and where the article is one which can be manufactured in India. Where (even though India may possess the raw material) she is unable, for temporary or permanent causes, to manufacture a given article or class of articles, the tariff should be regulated at the outset with a view to revenue. But in all cases where the disability is susceptible of removal, the tariff should be so modified from time to time as to stimulate the growth of indigenous industries or manufactures.

(7) Subject to the above considerations the interests of the country do not require the imposition of any tariff upon the import of raw materials or of intermediates which she requires for her manufactures, or upon machinery and other requisites for her industrial development.

(8) India should reserve the right to impose a small export duty on her food stuffs, on exported raw material of which she holds a monopoly, or nearly a monopoly and upon raw material which is taken from this country to other countries, manufactured and again imported into India in the finished state as also a high tariff upon the export of manures.

15566. *Sir Muneckjee Dadabhoy.*—This memorandum of the local government really contains a compendium of your views. I don't find there is any material distinction.

A. I must leave it to you. The two papers are before you.

15567. *Q.* The Madras Presidency is an agriculture Presidency practically?

A. Mostly.

15568. *Q.* And it is industrially backward?

A. Yes.

15569. *Q.* It cannot compare in point of industries with any other province in India?

A. I do not know. At any rate it cannot compare with Bombay.

15570. *Q.* You sum up the situation in a nut-shell when you say that 'the agriculture labourer is at present paid very low and it is easy to divert him to industries without causing much dislocation in agriculture itself.' During our tour in the Punjab we were told very strongly that India being a country which produces raw materials, India being a country where famines are very frequent, India should stick to the agricultural industry and remain an exporter of raw materials and that there should be no protection given to develop all industries. I should like to have your views on the point?

A. I entirely differ from that.

15571. *Q.* On the other hand, so far as I understand from your excellent note, I find that in your opinion diversion from agriculture to industry would stop famines to a certain extent?

A. Yes.

15572. *Q.* It would provide employment for a greater portion of the year to the agriculturists who are simply idle between the reaping of their harvests and the next sowing season?

A. Yes. May I supplement it a little? At present I am finding it very difficult to introduce anything like machinery in agriculture. Our people here have been carrying on agriculture with the old implements and on the old methods. Spain for instance is producing something like 2½ tons of paddy per acre while India is producing only ½ a ton per acre. In the matter of sugarcane also you find that India produces about a ton per acre whereas there are countries which produce nearly 2 or 3 tons. I attribute that excessive production in other countries to scientific agriculture and to the introduction of machinery. I consider that the machinery has not been adopted in this country partly because our people have got enough of labour and they think that this machinery is costly and that therefore they need not spend money on that. If on the other hand a portion of the agricultural labour is diverted, the need for machinery would be felt. If machinery is introduced you will find that we will be able to have intensive cultivation and produce more and we will therefore be better off.

15573. *Q.* Then you advocate a policy of scientific agriculture in conjunction with other industries?

A Yes.

15574. *Q.* Do you think there will be a large diversion of labour from agriculture?

A. It will take a long time. I wish it came sooner.

15575. *Q* In the Punjab we were told that there would be some difficulty in diverting labour from agriculture to industry?

A. I don't know the conditions of labour there. I am not in a position to speak about the Punjab.

15576. *Q.* In paragraph 11 of your report you wish that sufficient tariff be put upon English, Japanese and other foreign goods until at least India is capable of favourably competing against these goods. Of course you refer to cotton goods practically.

A. Yes.

15577. *Q.* Would you go in for differential treatment in the case of England and Japan? We find in India that the competition from Japan is greater than the competition from the United Kingdom. We have at present a duty of 11 per cent. on piece goods imported from England. Would you put 20 per cent. or a higher duty on piece goods coming from Japan. Would you favour such differential treatment?

A. Would we not then be treading on the ground of preferential tariffs?

15578. *Q.* Do you think it would come under preferential treatment to the United Kingdom?

A. My experience is that the Japanese articles are not equal to the samples. It is also said that their articles do not last long. I do not think that we need worry ourselves much about Japan in the long run.

15579. *Q.* If it could be done, would you object to it?

A. It comes under preference and I have given my views on that.

15580. *Q.* Do you want India to be self-contained in the matter of cotton cloth?

A. Yes as far as possible.

15581. *Q.* You are not much apprehensive about the combination of trusts taking place in this country, because competition will be quite sufficient to neutralise the effects of such trusts.

A. Yes. In paragraph 15 I dealt with that aspect.

15582. *Q.* Then you do not object to foreign capital coming to India. You want only that the companies should be registered in India, that the capital should be in rupees and not in sterling, and that a certain number of shares should be held by Indians. Is not that your position?

A. Yes.

15583. *Q.* Coming to your analysis of your wants you say 'India wants to impose high tariffs on manufactures which are made in other countries from raw materials exported from this country.' We export cotton seeds from India. Would you recommend high tariffs on cotton seeds?

A. Yes, provided it would not be injurious to Indian interests.

15584. *Q.* In the next clause you say 'India wants to impose a reasonable tariff on articles which she can produce or manufacture in this country but owing to various causes,

especially want of efficient machinery, she has not been able yet to make or produce as cheaply as those other countries.' In cases of exports you put a duty on such articles?

A. Of course I do not include oilseeds. On page 13 I give a list of articles on which I would advocate an export duty (*vide* paragraph 41).

15585. *Q.* You will not put a duty on oilseeds.

A. I purposely excluded them.

15586. *Q.* In your list you include cotton. You want the cotton industry to be protected; but if the very materials by which you want the cotton industry to be worked, say bobbins, if you put 11 per cent. duty on that would it not neutralise the effect?

A. Possibly, Sir. But we can make these bobbins in our country.

15587. *Q.* I have not heard of bobbins being made in India.

A. If I am not mistaken one or two firms in this Province told me that they were making these bobbins. At any rate we ought to be able to make them. We have got suitable wood in our forests.

15588. *Q.* You ask for an increase of duty on salt to three times its present duty. Why do you recommend that? Dr. Besant, who was examined yesterday, said that the present duty on salt should be abolished.

A. Possibly, Sir, the British free trade instincts are still in her. Please also mark I was speaking only of *imported* salt. My reasons are these: The only requisites for the preparation of salt are a sea coast and a bountiful sun. Heaven is pleased to give us both of these and yet you find year after year salt coming in from Liverpool and other places. With the immense salt mines in Rajputana and with all the sea coast round the country it seems rather unfortunate that we should ever allow salt to be imported into this country.

15589. *Q.* When you increase this duty to three times, would you also increase the excise duty on the local manufactured salt to the same extent?

A. Not at all. Local salt must be cheaper.

15590. *Mr. Jamnadas Dwarkadas.* Dr. Besant asked for the removal of the excise duty.

15591. *Sir Maneckjee Dadabhoy*: Is that so?

A. Then I must withdraw my remark about her British free trade instinct.

15592. *Q.* You say the excise ought to be reduced.

A. Another factor will come in, the factor of revenue.

15593. *Q.* In the case of jute you want to increase the duty?

A. I have said in paragraph 40 that second hand gunny bags come free of duty. That is all; there is not much of it. You have a duty at present.

15594. *Q.* Under raw cotton you want to put an export duty of Rs. 5 per bale. How will that affect the price in India?

A. I don't think it will affect the prices very much. It will come to about 2 per cent. One bale costs Rs. 250. The duty will come to about 2 per cent.

15595. *Q.* You say that our cotton fields are capable of yielding other crops and the world's cotton production is yet far behind the demand. That is, you do not fear that there will be no demand for our cotton?

A. I do not.

15596. *Q.* But then we are already producing nearly three times the cotton that we are consuming in this country, and we are dependent upon our exports of cotton to get good prices for our agriculturists. On account of the free export of cotton our agriculturists are getting higher prices for their cotton. If you put a duty it might have one of two effects. Either it might depreciate the value of cotton or it might reduce the exports.

A. I am not afraid of the exports being reduced. We are importing more cotton goods, and possibly all that cotton might be utilised here in the manufacture of cloth.

15597. *Q.* It will take several years for us to utilise all the cotton.

A. On page 2 of my memorandum I have recommended only an export duty of Rs. 5 per bale (lb. 400, value Rs. 250=2 per cent.)

15598. *Q.* You still stick to that view?

A. Yes. That will be the means of keeping a little more cotton in the country, but still there will be demand. The world's production of cotton is far behind the demand in the world.

15599. *Q.* In this connection you say that our fields are capable of producing other crops, but they may not be as paying as cotton?

A. I was thinking of this in years when there was a bumper crop and prices fell. People are always adjusting their crop according to the price it fetches (in this province at least).

15600. *Q.* I understand that your idea is to give preference to the United Kingdom simply with a view to keep up the link between the two countries, the mother country and India, and in order to propitiate it.

A. The choice of the world is left to you.

15601. *Q.* Till India gets Self-Government and if there is economic loss to the country, you would not for the present advocate Imperial Preference, would you?

A. I recognise the principle.

15602. *Q.* But you would not put the principle into practice immediately?

A. Except to the small extent that I have mentioned, which won't cause India any loss worth mentioning.

15603. *Mr. Jamnadas Dwarkadas.*—*Q.* In paragraph 11 of your statement you have given figures of the value of the cotton bales that were exported to foreign countries in 1919-20, and you also give us the value of the cotton goods, including twist and yarn, imported into the country in that year, from which I think you deduce the fact that if all this cotton were consumed in India probably India would be made self-supporting so far as its requirements of cotton are concerned.

A. Yes, to a large extent.

15604. *Q.* You know that you import the finer cloth especially from Lancashire?

A. Yes.

15605. *Q.* When you have to weave the finer cloth you have to use the foreign yarn. Do you think you would be able to grow cotton which will give you finer cloth.

A. It is possible. A country which has produced at one time the cotton that was giving us the Dacca muslins ought to be able to produce such cotton to-day, and it is the duty of the Agricultural departments of the various provinces to see that such a state is revived.

15606. *Q.* What has prevented the agriculturist so far from producing that kind of cotton?

A. It is rather difficult for me to go into that question. I suppose adulteration must have been responsible for the death of the seed.

15607. *Q.* Is it because it does not pay to grow it?

A. It does pay the agriculturists if they could preserve the purity of the seed, but when adulteration comes in it does not pay.

15608. *Q.* You look forward to the day when it will be possible to consume all the cotton that grows in this country, and you would then make India self-contained.

A. If my reading of the figures from Bombay are correct, we are producing more cloth of finer quality than before. Our production of piecegoods has increased in quantity during recent years. Last year it increased by 41 per cent, while there is a falling off in the production of yarn and twist. The total of production and imports of yarn was smaller than in the pre-war year 1913-14. Therefore the conclusion is that we are getting more yards of cloth for smaller weight, that is the finer quality, and provided these artificial humidifiers are developed, I don't mind importing for the purpose of mixture sufficient quantities of cotton from foreign countries even. But the greater problem is for the Agricultural departments of the various provinces to see that the long staple cotton is produced in the country,

15609. *Q.* You think that the falling off of the production of that kind of cotton is due largely to the indifference of the provincial Agricultural departments?

A. No. The Agricultural Department came in only 15 years ago. The production of this kind of cotton ceased 80 or 90 years ago. I think the internal dissensions and constant wars in the country were responsible. I cannot definitely say what the cause is.

15610. *Q.* Under paragraph 16 you make a statement which I would like you to elaborate. You say that the agricultural labourer is at present paid very low and that it is easy to divert him to industries without causing much dislocation in agriculture itself, and that when the wages of the industrial labourers are raised, the wages of the agricultural labourers also must rise, and all these would mean a higher standard of life. Am I to infer from this that the wages of the agricultural labourers will rise simultaneously with the wages of the industrial labourers?

A. It is an economic law that when one side receives higher wages the other side also will want to get equality in respect of wages. Another thing is that when the supply is reduced the remaining people must be paid higher wages. There are two factors. You take away a few agricultural labourers to be trained as industrial labourers. The number of agricultural labourers will be reduced, and they will get higher wages. Also

there is this fact. A new industry must necessarily pay higher wages. Then the other set of men will say, "We can get more wages there and if you won't pay higher wages we would go there".

15611. *Q.* I want to draw your attention to this. One of the arguments for free trade that we have had brought before this Commission is that if you divert the agricultural labourer from agriculture to industries, a time will come when India will not have sufficient food and when everyone will take to industrial labour and not to agriculture.

A. In such a contingency we will be able to protect ourselves against it. That was the case with England. It was once a very prosperous agricultural country, and it has become an entirely industrial country. But still I suppose we have the lesson of England before us, and such a contingency is a long way off. I hope the Indian statesman will rise equal to the occasion and find the means to combat the difficulty.

15612. *Q.* Don't you think that India is so under-industrialised that you need not contemplate it at present?

A. It is a matter for our grandsons to think of, possibly not even for our sons.

15613. *Q.* In your paragraph 17 you draw what I may call a gloomy picture of the Government of India's finances. If you will permit me I should say that you are very pessimistic in saying that the Indian budget may begin with a minus balance of 20 crores of rupees.

A. You can correct my figure if I am wrong.

15614. *Q.* I do not claim to know more. But you suggest that this state of affairs is going to last because you think that expenditure cannot be curtailed substantially?

A. If you qualify it with "substantially" I am prepared to accept it. But I hope that the Government will try their best to reduce expenditure.

15615. *Q.* Therefore you suggest that the only possible solution for supplying the revenue without taxing the people directly is by protecting themselves by a wholesale policy of protection. Is that what you suggest?

A. Yes, practically.

15616. *Q.* Now let me put this to you. We have been told by some witnesses that if you put an import duty for revenue purposes it is all right, but if you have an import duty for purposes of protection, imports might become so restricted that revenue might suffer. What is your view?

A. Have I not met that argument in paragraph 12 of my note? Are you referring to the old theory that they connot go together?

15617. *Q.* Taking the conditions as they are to-day, you are faced with a financial position which, as you say, is verging on bankruptcy. You want at once to launch on a policy of protection?

A. Not at all. If you will kindly see my paragraph 38, I say: "It is no rabid protection, that I advocate. Any such thing might spell ruin to our country. Each article will have to be examined with reference to our production, its export to foreign countries, the need for the same article in those foreign countries, for what purpose the article is used in those countries and what the effect of retaliation will be in our production. All these and many more considerations enter into a discussion in arriving at any conclusions. Caution of the utmost kind is necessary. Knowledge of detail is essential. Acquaintance with trade conditions in foreign countries is indispensable and any protective duty that may be imposed will have to be circumscribed by all these considerations and should in any case be moderate."

15618. *Q.* You would make your protective duty such, in the beginning at any rate, as not to affect your revenues considerably?

A. I want to make it one of the primary considerations.

15619. *Q.* I think I am right in inferring from your arguments that ultimately a policy of protection will make the country very rich, because of the industrial prosperity that it will inevitably bring.

A. You can take that view. I do not know whether it necessarily follows from what I have said.

15620. *Q.* Am I right in inferring it from your arguments.

A. I would not object to it.

15621. *Q.* A policy of protection will contribute to the riches of the country?

A. Yes, by the industrial development.

15622. *Q.* In your paragraph 18 you give us figures of exports during the year 1919-20 and during 1920-21. What do you think has been the cause of the falling off in exports?

A. Various causes must have contributed to it, for instance, take raw hides and skins. There is a large stock of those purchased in 1919 in London and even in Italy. That might be one of the reasons, for the falling off. I have given the reasons, as far as I can, in the memorandum that I have supplied.

15623. *Q.* What do you think is going to be the future? Will the exports fall further or will they rise?

A. I think gentlemen, like the Hon'ble the President, will be better judges of such things. I cannot foresee with any accuracy, but there is the fact that we are importing 100 crores worth more than we are exporting.

15624. *Q.* Turning to the definite suggestions that you make, with regard to the duty to be imposed on cotton manufactures, excluding twist and yarn . . . . .

A. They are not meant to be conclusive. They are suggestions with a view to provoke discussion.

15625. *Q.* In the first place I would like to ask you why you exclude twist and yarn.

A. Because you want a lot of yarn for your own manufactures. The higher counts cannot be manufactured in this country, at any rate at present. My idea is that there should be a regular tariff committee sitting from year to year to adjust the tariff to the changing conditions of the world. Any suggestion that I make can only apply to the present. To-day you are bound to import a lot of the higher counts. If we include them then there will be no weaving at all, except of the smaller counts say up to 30*s.* or 40*s.*

15626. *Q.* Assuming that you cannot get on without importing, what about the lower counts? Would you exclude them?

A. I was under the impression that the imports of the lower counts are falling off.

15627. *Q.* My impression was that in 1919 we imported a large quantity of the lower counts from Japan. Please see also your figures regarding imports of yarn and yarn produced.

A. I am sorry I am wrong. I have not got the figures for 1919. But judging from 1916-17 and 1920-21 we have been importing in larger quantities.

15628. *Q.* If you are importing very large quantities of the lower counts from Japan, which compete with our spinning industry here, would you still exclude the lower counts also?

A. I do not mind altering my view so far as the lower counts are concerned.

15629. *Q.* So you would not exempt the lower counts from duty?

A. No. If imports are increasing I would certainly not mind a small import duty. I would still put it very small indeed, because after all we want the yarn for our manufactures. We have to import yarn for our manufacturing purposes.

15630. *Q.* Could you give us an idea of what import duty you would have on the lower counts?

A. I would be satisfied with a 5 per cent. duty.

15631. *Q.* By lower counts, you mean counts below 40*s.*?

A. Yes.

15632. *Q.* If it is a fact that you are encouraging the Japanese spinning industry at the cost of the Indian spinning industry, would you not rather have a 11 per cent. duty, the same as you have on imported cloth?

A. But from the point of view of India you require it for the manufactures of cloth for your people.

15633. *Q.* But to use your own argument you are so keen to have the cotton which grows in this country consumed in this country. You say that the cotton which grows here should be consumed in the country. If you allow the free import of Japanese yarn (or have only a very small duty), it will encourage Japan to take away cotton and send it back in the shape of yarn to compete with our own yarn.

A. But you should weigh the interests of the handloom weaver in Southern India against those of the millowners of Bombay. The Bombay mills can supply all the yarn required and yet they may not supply it at the same rate as the handloom weaver can buy from outside.

15634. *Q.* If you propose measures to get yarn cheaper it is another thing. But this is altogether different. It is a question of feeding Japan at the expense of the Indian manufacturer. Why do you advocate that?

A. I am advocating it in the interests of the Indian handloom weaver.

15635. *Q.* If an import duty on Japanese yarn encourages the growth of the spinning industry here the price of mill-made yarn will go down. The argument that would apply to other articles would apply also to yarn, would it not?

A. It does.

15636. *Q.* You suggest for discussion a 15 per cent. duty. Is that 15 per cent. import duty and no excise duty? Or is it 15 per cent. import duty and 3½ per cent. excise duty?

A. I do not advocate an excise duty at all. I do not mind either the abolition or the retention of the present excise duty.

15637 *Q.* You would not mind if the 3½ per cent. excise duty is removed?

A. You will have to weigh several factors in connection with it. But my impression has been that we might retain it.

15638. *Q.* You also recommend an import duty on glass bangles. You want to increase it from 20 to 40 per cent.?

A. Because we are able to make these bangles here. Therefore I think that that portion of the glass industry should be protected.

15639. *Q.* You think that we shall be able to produce for our requirements in India?

A. Yes. There are now about 20 glass factories at work in India, mainly in the United Provinces and the Punjab. They principally manufacture glass bangles and chimneys. They turn over nearly Rs. 40 lakhs worth of glass per annum and probably supply half of the Indian demand. There is no glass industry in this Presidency, but crude bangles are made in a few places.

15640. *Q.* You say that Japan supplies 80 per cent. of the glass bangles. Of the 20 factories in existence now, you continue, 7 are situated in Ferazabad and are entirely engaged in the manufacture of chouri glass.

A. I thought that we could make them here. Our country was producing these bangles a little while ago. If more refined bangles are not coming in, either our ladies will have to be content with a cruder form of bangles or we will have to improve our glass factories.

15641. *Q.* At any rate an import duty will enable you to improve your glass factories?

A. At any rate it would effectively stop a portion of those imported.

15642. *Q.* You suggest an import duty on toys?

A. Yes.

15643. *Q.* Do you think that we are able to produce toys?

A. Yes. There are to-day numerous villages in which workmen are available who can make quite as good toys as you can get from Japan. Have you ever seen what are called Nakkapalli toys? I should be glad to produce some samples before you if you want.

15644. *Q.* Now I want to ask you one or two questions with regard to the foreign firms coming and establishing themselves here under protection. You say you would welcome them if it means encouragement to our industrial growth?

A. Quite.

15645. *Q.* We have had some evidence in Madras to the effect that they would strongly object to giving a free hand to foreign firms to come and establish themselves here?

A. I have not given a free hand myself.

15646. *Q.* You impose certain conditions?

A. I do.

15647. *Q.* Beyond those conditions there are certain grievances. I wonder what you have to say in regard to these. They say that no foreign firm would agree to train Indians. Do you think that there is anything in that argument?

A. Not if they are protected.

16648. *Q.* Do you think that they will train Indians?

A. I expect that at any rate.

15649. *Q.* It is said that foreign firms do not treat Englishmen and Indians in the same way?

A. Where.

15650. *Q.* In the factories established by Englishmen?

A. If you are simply referring to the social treatment, the less said about it the better.

15651. *Q.* As regards training?

A. My impressions I have already given.

15652. *Q.* Do you think that there will be no harm done?

A. Absolutely none, if those conditions are fulfilled. I would welcome them.

15653. *Mr. Mant:*—*Q.* In your historical account of the fiscal policy of England you say: "Then came the final stage of Gladstone from 1853 to 1860, when England became a completely free trading country."

A. Yes.

15654. *Q.* In paragraph 13 you say that it was not until England had developed her industries to the fullest extent that she adopted this free trade policy.

A. Yes.

15655. *Q.* Do you mean that there has been no development of industries in England since 1860?

A. There was development even after 1860.

15656. *Q.* Was not there a very large development?

A. Well, I cannot tell you exactly. I admit that there was development beyond what it was in 1860.

15657. *Q.* Then the statement "to the fullest extent" is not quite correct, is it?

A. It is to be taken into account along with the other statement I have made, namely: "At that time the other countries such as Germany, France and United States were not in a developed state so far as industries were concerned." If you take the two sentences together, probably you will accept the accuracy of my statement.

15658. *Q.* I cannot. I think that there has been an enormous development in English manufactures.

A. You are surely a better judge than I.

15659. *Q.* As regards development, it is common knowledge that the industries developed enormously after 1860.

A. If by "fullest extent" you understood that England did not develop later on, I must say that it is not my intention. I was only saying that she was more developed than any other nation at that time.

15660. *Q.* I accept that qualification. In paragraph 10 of your memorandum you give an interesting account of the views of the average Indian. He sees other countries prospering and developing industries and he sees a majority of these countries working under a protective system. He thinks that it is to the protective system that they owe their prosperity. Do you not think that he is rather over-rating the influence of protection? Do you think that he is not likely to be disappointed when he finds that protection is not everything?

A. I don't think so. The Indian is unable to find any other explanation. After all, I am giving you the Indian mind.

15661. *Q.* You give your own explanation. You say that the essential weakness of Indian industry is lack of initiative.

A. Yes, that is correct.

15662. *Q.* I am only anxious to find out whether there is not a danger of a little disappointment. It has been argued before us that to protect an industry which shows want of initiative is really to prolong the circumstances which you yourself desire to remove because if he is protected he may not develop the necessary initiative and energy.

A. I don't agree with it.

15663. *Q.* That is the view taken by the Sugar Committee.

A. They always take it that protection will stop growth. My position is this. Of course by the word 'protection' I mean a number of things. Speaking of my own province if the Government for instance should come forward with a certain amount of assistance, say by purchasing a number of shares or giving a loan over long terms, then there will be any amount of capital flowing in. At present there is a sort of want of confidence amongst the people themselves and provided you give the initiative yourself and provided the people know that Government have got a hand in it and that everything would be safe, I am perfectly certain that capital would be forthcoming and people would rush to it.

15664. *Q.* Then you say that this can be done only by protection.

A. I was using that word in a much broader sense.

15665. *Q.* You use in a much broader sense the word 'protection.'

A. Surely. I have explained in another paragraph. I shall just draw your attention to it. At the top of page 6 I have said: "What is the remedy but protection using that expression in its largest sense so as to include not merely an import tariff, but also every act, policy or economic system which makes for the growth and promotion of industries of a country."

15666. *Q.* In paragraph 10 you use the word 'protection' in that wider sense.

A. Yes. Probably I should have been more cautious.

15667. *Q.* Coming to paragraph 20 about the conditions under which you would allow foreign firms to establish themselves in India. You say "give a chance to Indians to subscribe for a certain portion of the shares, in the concern."

A. Yes.

15668. *Q.* Would you also lay down, as some of the witnesses have, that a proportion of the shares must always be held by Indians not only at the time of flotation but throughout the life of the company.

A. I won't restrict posterity like that. It all depends upon the changes that might take place in the business, trade and so many things. I should think that a definite period of 10 or 15 years would suffice.

15669. *Q.* You would prescribe a definite period.

A. The rule will be there but the Government will be at liberty to alter it.

15670. *Q.* Supposing a certain number of shares has been subscribed for by Indians, I want to know whether any of those Indians could sell them to Europeans after flotation?

A. After a certain period?

15671. *Q.* After flotation. Would you wish the shares to be continually held by Indians?

A. Well. It is a restraint on contract. I was myself a lawyer. I would never put any such restraint on the actions of a man. The instinct of a business man is to sell to a man, be he a European or any other, who pays him five rupees more.

15672. *Q.* Then, I gather that you would not impose such restrictions.

A. I would leave these things alone. In the beginning only I would say that so much percentage should be held by Indians and the rest I would leave to posterity and to the circumstances prevailing at the time.

15673. *Q.* In paragraph 33 you give a list of the articles on which Great Britain grants preference.

A. That is to the best of my knowledge. It may be that you have to add or subtract.

15674. *Q.* There is only one remark which rather surprises me. You say that most of the articles mentioned in the list are raw materials.

A. Yes.

15675. *Q.* Looking down the list, I find that the above statement would need qualification. Do you call tea a raw material? Do you call a motor car a raw material?

A. I thought that I had excluded motor cars.

15676. *Q.* You say that most of these are raw materials. You say that tobacco is a raw material. Tobacco is both raw and manufactured.

A. Very little of manufactured tobacco gets into England.

15677. *Q.* England gives preference both to the raw and manufactured tobacco.

A. Probably it does. I see, the statement is not quite accurate.

15678. *Q.* As far as I understand the English tariff, they do not as a rule tax raw materials. They have a free trade tariff and only put taxes on a small number of articles from which they try to get a large revenue.

A. Yes.

15679. *Q.* And that as a rule on finished articles. I raise this point because you go on to say that it is significant that no preference is given to the Colonies or Dominions on raw cotton. There is no duty at all on raw cotton, in England. How can she give preference?

A. I see.

15680. *Q.* You rather suggest in that paragraph some ulterior object.

A. I don't quite follow you.

15681. *Q.* Why do you say "That is significant." What do you mean by the word "significant" there?

A. I was under the impression that there was a duty on raw cotton. Of course if cotton is not at all taxed, no question of preference arises.

15682. *Q.* You were under the impression that cotton was taxed.

A. Yes.

15683. *Q.* That is not so.

A. But, Sir, may I suggest one thing? Assuming that there is no tax on cotton, at present, could not England tax American cotton and leave Indian cotton free? Would not that be a preference?

15684. *Q.* What taxing their own raw materials?

A. Not their own, but American. But perhaps I had better not pursue it. This is only an after-thought.

15685. *Q.* Could India supply the grades of cotton which England imports from America?

A. Do you mean long stapled cotton? How does that question arise. The mere fact that we cannot supply the particular kind of cotton need not prevent England from giving us a preference on such cotton as we could supply.

15686. *Q.* I have no doubt that if England imposes a duty on raw cotton, she will give preference to India but at present there is no duty on cotton.

A. Yes, if there is no duty on cotton at all, my observation does not hold good.

15687. *Q.* Sir Maneckjee Dadabhoy questioned you with regard to your proposal for increasing the duty on salt. I understand that you would levy an excise duty, and would raise the import duty to three times the present excise duty?

A. Yes.

15688. *Q.* The excise duty is Rs. 1-4-0 a maund.

A. Yes.

15689. *Q.* I looked up yesterday the incidence of that duty and worked it out; it is something under three annas a head per annum.

A. Yes.

15690. *Q.* We were told by one distinguished witness that it is a very heavy charge on the poor people.

A. Did you take the whole of salt revenue into account?

15691. *Q.* Yes, the incidence of the whole salt revenue. At present the excise duty and the import duty are equal and the incidence of the revenue collected from both is the amount of taxation levied on salt. I want to ask you what effect on the price of salt your proposal would have, namely to raise the import duty by 200 per cent. while leaving the excise duty as it is?

A. I don't think that it will affect the poor people.

15692. *Q.* What about the price?

A. I don't think that it will affect the price of the Indian salt at all. It will affect the price of the imported salt which is consumed mostly by the higher classes.

15693. *Q.* Could you give me any instance where there is a high import duty, and the price of the indigenous material is not raised by it? It is generally accepted that when you put on an import duty, the price of the indigenous product is thereby raised?

A. Provided both the goods are of the same quality, but when the article is altogether different, the price of the indigenous article need not be raised. The country salt is the dark salt, whereas the salt that is imported is table salt. They are practically two different articles.

15694. *Q.* I understand that quite good quality of salt is produced in the salt mines of the Punjab and the Sambar lake in Rajputana?

A. I don't think that they could be called table salt. They are no doubt finer than what we make in salt fields. But they are not like the imported salt.

15695. *Q.* However you don't think that your proposal would raise the price of salt manufactured in India?

A. Nothing appreciable at any rate.

15696. *Q.* There is one other question. In paragraph 42 you suggest that there should be a permanent Tariff Committee, and you suggest that it should consist of not more than five or six members, each to represent one large port. Why do you suggest that only the ports should be represented on this Committee?

A. Well, nothing very important except that they are centres of trade. The ports people will be in a better position than inland people.

15697. *Q.* By trade you mean the centres of foreign trade only?

A. Yes. The work of the Committee will be to advise any changes to be made in your tariff laws.

15698. *Q.* Are not there other important interests affected?

A. I have no wish to quarrel if you want to add.

15699. *Q.* I was thinking of the agricultural interests very largely?

A. There is the Government of India which is supposed to be the trustee of the agriculturists.

15700. *Q.* You trust the Government of India as regards the agricultural interests?

A. I do.

15701. *Mr. Birla.*—*Q.* You say in your written statement "I do not view with disfavour any such development provided Englishmen concerned domicile themselves in India for the time being, employ their capital on the basis of the rupee and not on a sterling basis, give a chance to Indians to subscribe for a certain portion of the shares." You suggest that they should give a chance to Indians to subscribe for a certain portion of the shares. I want to know definitely what steps you want to take in this connection.

A. You legislate empowering the Government of India to prescribe and frame rules to fix the proportion of the shares for the time being.

15702. *Q.* You would also fix the period for the time being?

A. I will leave that to the Government of India. When rules are framed under the authority of a legisla-

tive enactment, they will have the sanction of the legislature and they will be as good as an Act.

15703. *Q.* You want to legislate that a certain proportion of the capital should be held by Indians?

A. Yes

15704. *Q.* Then you say "train our men in the various kinds of work from the lowest to the highest form of business connected with the particular industry." What action do you want to take in this connection? What guarantee will you have that those firms who start business in India to get the benefit of the protective tariff will train our men from the lowest to the highest form of business?

A. That is rather a difficult question for me to answer. The industrialists could give you better information on that point.

15705. *Q.* What do you really mean?

A. I mean that guarantees and securities should be provided which would ensure the training of Indians in these factories from the lowest to the highest processes, but as to the shape these guarantees should take I think that you should ask the industrialists.

15706. *Q.* You want to have some guarantees without which you won't allow foreign firms to be established in India?

A. No. May I cite a case? I have been trying my best during the last year to train one man with a Government scholarship in hydrogenation in England. I have not been able to find a factory where he could be received. Of course nobody is bound to admit him.

15707. *Q.* You told Mr. Jamnadas Dwarkadas that in the interests of the weavers of Southern India, you would not impose a duty on yarn even on lower counts. You have mentioned in your written statement that you do not like to see your raw cotton exported to foreign countries and then come back in the shape of piecegoods or any manufactured article.

A. Yes.

15708. *Q.* In the interests of Southern India you would like to see your raw cotton exported to Japan and then come back in the shape of yarns.

A. You cannot take each proposition by itself. As I have said in paragraph 38 a number of factors enter into this consideration and each case will have to be judged after taking into account all these factors.

15709. *Q.* For the supply of low counts, Japan has to depend entirely on the cotton imported from India?

A. What is worse, from Southern India.

15710. *Q.* Do you mean to say that the interests of Southern India are something bigger than the interests of India as a whole?

A. I want spinning factories to be established in my province.

15711. *Q.* You recognise the principle of protection?

A. I do.

15712. *Q.* But at the same time I do not understand why you do not recognise the principle of protection for the spinning industry in this country.

A. If by that means you can have factories established in this country, I will certainly agree.

15713. *Q.* We can only take India as a whole. We cannot take a province or a class?

A. If you stop all cheaper supplies for a certain period the consumers will have to suffer. As they will have to pay higher prices, you cannot have protection at all.

15714. *Q.* Just now you said that you want cheaper supplies of yarn for the weavers of Southern India and therefore you do not want to impose a duty on yarn?

A. It is one of the factors in determining the rate that is going to be levied on imported yarn.

15715. *Q.* In the list which you have made out in paragraph 41, regarding articles on which you suggest an export duty you include jute manufactures. You want to increase the duty on jute manufactures? When you impose a duty on the raw material, you want that to be retained in the country. When you put a duty on manufactured jute I don't quite understand what your intention is?

A. That is purely meant for revenue purposes. Jute manufactures are the largest, if I am not much mistaken, manufactures exported from India. We hold more or less amonopoly in it excepting of course Dundee which is a great factor. I think that we might make some money for the Government of India out of it.

15716. *Q.* Are you quite correct when you say that this won't handicap the jute industry, for, would not people find some substitute if the price is high?

A. Here you have to remember that this is a thing which will have to be shifted year after year. You can at once see how the current is flowing and can alter it if necessary.

15717. *Q.* You know that the jute trade is in a depressed state?

A. Well, I have heard about it.

15718. *Q.* When the price of jute was high, did not Germany invent a sort of substitute, *viz.*, bags made out of papers?

A. But these were discovered very soon. These were something like the paper boots.

15719. *Q.* When the prices went up, one would try to find a substitute and when the price is cheap, one might not mind very much?

A. I would watch the effect of this duty on the industry. If it affects the industry I would remove it later.

15720. *Q.* Have you any special knowledge of jute?

A. I have.

15721. *Q.* Is jute grown in this country?

A. Yes, in the Vizagapatam district.

15722. *Q.* What do you make out of it?

A. Gunny bags and gunny cloth.

15723. *Q.* Where do you sell them?

A. Send out.

15724. *Q.* You export to other countries?

A. Yes.

15725. *Q.* How many looms are there?

A. I have no idea but I suppose something like 40 to 60 thousand spindles. Some ten years ago a sum of Rs. 7 lakhs was invested on this industry in one factory alone.

15726. *Mr. Seshagiri Ayyer.*—*Q.* From your memorandum it is clear that we in Madras are very backward and our people are unwilling to put capital in industrial enterprises. One reason for this is that there are not many big capitalists in this Presidency?

A. That is why no money is forthcoming.

15727. *Q.* You have answered Mr. Mant that if Government takes an interest in the industry that would be an inducement to the small capitalists to bring forward their money and employ it in industrial enterprises?

A. Yes.

15728. *Q.* Also, if there is a protective duty then these people would not be afraid of losing their money and would willingly invest their money in mills. That is the position so far as Madras is concerned?

A. Undoubtedly, Sir.

15729. *Q.* So far as Madras is concerned, you will advocate Government taking an interest in the industries and giving protection?

A. By "taking interest" I do not necessarily mean taking shares. Giving a loan is enough.

15730. *Q.* And I think you are attempting something of that kind in Rajamundry?

A. Not exactly attempting. My bill is in the stage of consideration.

15731. *Q.* A number of questions were put to you about foreign capitalists establishing firms here. A significant question was put to you by the President about the differentiation between Englishmen, Germans, and Japanese. Take for example a glass factory. This industry is much better developed in Belgium. Suppose a Belgian firm and a Japanese firm applied for the establishment of a glass factory in India, and both of them undertook to train our men. Would you not prefer the Belgians because they have got a number of experts with them and will be able to train our men better?

A. I think this is covered by my proposition *other things being equal*, the Englishman should be preferred.

15732. *Q.* Now about an import duty on yarn, supposing there is an import duty, there would be nothing to prevent the spinning mills putting their own prices and thereby considerably handicapping the handloom industry. There is now competition between the handloom and the powerloom industries. Supposing a duty is imposed upon yarn it would have the effect of preventing foreign yarn from coming in as easily as it would otherwise do. This would enable the persons who are engaged in producing yarn in this country to put their prices up and thereby to a considerable extent cripple the handloom industry.

A. It is a possible effect, but I do not think it will necessarily follow.

15733. *Q.* At present there is no duty on yarn and consequently the handloom industry is able to get yarn cheap. If you put a duty on yarn would you not to that extent handicap the handloom industry?

A. It all depends upon the extent of the duty. If it is a small one it would not have much effect. The proposition that you state is fairly correct, in certain circumstances.

15734. *Q.* I am anxious that as between the handloom industry and the power loom industry there should not be a possibility of one of them crushing the other.

A. Certainly not, but you can discover it after one year.

15735. *Q.* And you can remove it if you like?

A. Yes, the moment you see that it is harming the handloom industry.

15736. *Q.* Now, with regard to the question of preference, you are to some extent in favour of preference to the United Kingdom?

A. Yes.

15737. *Q.* That is on grounds of sentiment and gratitude?

A. I would prefer the word 'gratitude'.

15738 *Q.* I knew you would prefer it, and that is why I used that word. If that is your reason, would you not rather like that India should give a direct contribution to England for the purpose of maintaining the Army and the Navy? The link would not be destroyed, and the gratitude would still be expressed?

A. I hope, Sir, you have heard of a word 'Kappamu' in Telugu. Any cash payment like the one you propose would sound, to the average Indian at any rate, as a sort of 'Kappamu' or tribute paid by a subject State to a sovereign State. It will not indicate that equality of partnership which we have been claiming, and I would like to be a free partner in the Empire. My objection is more or less sentimental.

15739, *Q.* Don't you think that it would be better from the point of view both of the receiver and of the giver, for the one to be able to say; "I take so much" and for the other to say: "I give so much"?

A. I would give the same reply as I gave to Sir Ibrahim. How would you then distinguish Afghanistan from England. We are paying Afghanistan something, but we are not partners of the same Empire. I quite agree that it does not necessarily follow that the link is lost, but still I prefer this tariff preference.

15740. *Q.* Now, about the question of the depletion of agricultural labour. I hope you agree that there is not this danger in this Madras Presidency. You find that there is not enough work for the men now living in the fields and a large number of them emigrate.

A. Yes: they have not got enough work.

15741. *Q.* And so, there is no chance in this presidency of agriculture suffering by industrial development?

A. No. They have not enough work, and that is why they are going to Burma, South Africa, Assam, etc.

15742. *Mr. Coyajee.*—*Q.* You recommend the adoption of the principle of Imperial Preference and you have pointed out that there is scope, although somewhat limited scope, for the application of Imperial Preference. Now, Sir, you are aware that preference has been extended to some Indian commodities both by the United Kingdom and by Canada. The fact that we have already received some Imperial Preference, would not that render easier the acceptance of this principle by India? Is not that a reason for our adopting the principle?

A. Oh, yes. You may take it as one of the reasons but I do not put it on that ground.

15743. *Q.* I suggest that there is not merely a political ground. Preference has been shown to us already. Suppose in the way of reciprocity some Dominions made an offer to us of exchange of economic concessions on equal terms. Would you have any objection to falling in with that offer?

A. Provided it is to the interest of India. Equality alone does not mean it is of benefit to India. That is why I qualify it in that way.

15744. *Sir Montagu Webb.*—*Q.* I have been reading your paper with very great interest and it seems to me that it presents the case very fully from a certain point of view, but there are one or two points upon which I should like to ask for some information. Now, firstly, with regard to your history. In paragraph 7, you say "until the year 1820, there was not the slightest demand for free trade in England." If I remember aright, a man called Adam Smith put forward a book in 1775 strongly protesting against all these protective duties and interference with trade. His book created a great sensation and was much discussed. The opinions which he put forward gained more and more supporters and after an agitation which lasted nearly 70 years, the first breach was made in England's system of protection. That is a fact, is it not?

A. I do not ignore the great economist, Sir Only I had to fall in with the view of one of your greatest Prime Ministers, Fox, who said that your Adam Smith was nothing more than a doctrinaire at that time.

15745. *Q.* You recognise that the result of his writings after nearly 70 years, it took 70 years before the vested interests who had entrenched themselves behind the protective walls were disturbed but the result of his waitings was after 70 years to completely change the fiscal policy of England?

A. Yes. I may also be permitted to bring to your notice, Sir Montagu, that my point of view is supported by other historians. I may not have the book here just now, but I believe it is Armitage Smith or the gentleman who wrote the book "Landmarks of Fiscal Policy" that said that until 1820 free trade was not in demand in Great Britain.

15746. *Mr. Coyajee.*—*Q.* Mr. Townsend Warner is the author, I think.

A. I thank you, Sir.

15747. *Sir Montagu Webb.*—*Q.* In a book by Professor Gides it is stated, "In 1786 Pitt carried through an agreement with France practically establishing free trade." However, it is only a little matter of history.

A. I would not have taken objection to your remark but for the fact that a great economist who has shaped the economic history of Europe has been called "a man called Adam Smith."

15748. *Q.* I should next like to refer to a deduction which you draw from an historical fact. In paragraph 13 you mention that the United States commenced a policy of protection in 1816, continued it up to this date and to-day her trade is the largest in the world. Would it be equally accurate to say that the United States adopted the dollar rather than the sovereign, or that they adopted the principle of a Republic rather than a constitutional monarchy, and therefore that trade is the largest in the world?

A. It cannot be, because history does not support it.

15749. *Q.* That statement is I think quite accurate, that the United States uses the dollar and is a Republic and its trade is very large! I am suggesting that your conclusion is not based on scientific principles.

A. Do you mean to state that the fact that the United States had become a Republic affected its industrial development and trade?

15750. *Q.* I think it had very little effect. That is what I feel myself. I merely state that your deduction does not necessarily follow. If a revolution in China brought about a republic and an industrial growth subsequently took place, it might be argued following your method that the revolution in China was responsible for its industrial growth.—

(No answer)

15751. *Q.* Now in paragraph 14 you quote Mr. Armitage Smith. This is just one more deduction I want to refer to. You say: "He says that raw materials and foodstuffs together count for nearly 75 per cent. of Great Britain's imports, while manufactured goods are 75 per cent. of her total exports and that this is not the case with any other country. If this argument is correct then surely we in India will have to be classed along with those other countries which adopted protection." I do not understand the cause and effect. All other countries import raw materials free and foodstuffs free. I do not understand why you deduce therefrom that India ought to have a protectionist policy.

A. If you just see there, Armitage Smith was trying to get out of the argument that was advanced against free-traders. The argument was that America, Germany and other countries where a policy of protection had been adopted, had prospered as much as England. Why then should we have free trade in England? That was the argument that was advanced. He met that by saying that it did not apply to England, because England was importing 75 per cent. of the raw materials and foodstuffs and exporting 75 per cent. of manufactured goods. He was distinguishing England from other countries which had adopted protection. Now, I say *if this is a correct classification*, India must fall into line with America and Germany.

15752. *Q.* I see: it is based on an 'if'. You say 'if his argument is correct.' On page 3, I think you summarise more or less completely the arguments in favour of free trade and the arguments in favour of protection. But I confess that I feel some surprise that you have omitted the whole base, root and foundation of the free trade argument.

A. What is that Sir?

15753. *Q.* It is this: that the free unrestricted exchange of goods must produce the maximum of results with the minimum of effort, and therefore must lead to the greatest profits and the greatest accumulations of savings not only for individuals but for nations and for everybody concerned.

That, I think, is the axiomatic basis of free trade. I am not suggesting that we ought to adopt it in India, but I merely remark that that is the axiomatic basis of free trade.

A. Is not that covered by the expression 'comparative cost ?'

15754. *Q.* Where do you refer to that ?

A. In fact, a whole paragraph is devoted to comparative cost, which means minimum of effort and maximum of profits. In paragraph 11, I point out that we have got the raw materials, which can be supplied at a cheaper cost to the consumer. Now, I refer there to the fact that the Indian pays the freight for the cotton to go to England or Japan, wages to the labourers in those countries, profits to the capitalists there, customs duties and freight back to India, and all these are borne by the Indian consumer.

15755. *Q.* I find that you use this as an argument for applying a protectionist policy to India, but I do not find it stated as the axiomatic basis of free trade.

A. Armitage Smith has used the term 'comparative cost.' I think that that phrase covers 'maximum of result with minimum of effort.'

15756. *Q.* Now, I have made a mark against this very sentence to which you refer : "If, on the other hand, Indian grown cotton could be converted as far as possible into cloth in India itself, certainly it can be in the nature of things, made at a much cheaper cost and made available for purchase by the consumer at a cheaper cost than what he at present pays for the foreign goods." Is not the evidence precisely to the contrary of the deduction that you put down? If foreign cloth comes into India, is it not because foreign cloth actually does come in cheaper than the cloth can be manufactured locally?

A. It is because you have not made those things in the country. I cannot concede that cotton cloth made in England can be cheaper than that made in India. What about the middlemen's profits, shipping freights, etc.?

15757. *Q.* But it actually takes place?

A. There may be a hundred other reasons why it does take place. The Government has not encouraged it in the past, and the industry has died out. Would you like me to tell you why the Dacca trade has died out?

15758. *Q.* You can get the labour, and the machinery you can buy where Lancashire buys. Then why is it not made cheaper now in India?

A. I have said it is due to lack of initiative and Government should come to its rescue.

15759. *Q.* In paragraph 18 you quote my remarks: "Where demand, labour, materials, and capital are found in the greatest abundance of the best qualities and at the cheapest cost, there trade will develop at great speed." That I believe to be an economic truth, but the words "*best qualities*" must be underlined. The problem, I take it, at the present moment is to obtain the best qualities of supervision, of labour and of raw materials, and as soon as the best qualities of raw materials, labour and supervision can be obtained then the industrial development of India should be better than anywhere else?

A. I quite agree; but it ought to be possible for us to get the best quality, provided the necessary effort is made.

15760. *Q.* Later in the same paragraph you conclude that the remedy is protection and you very wisely, I think, include in that expression the training of the ability and the directing intelligence and the improvement of agriculture. That I think is quite accurate. In paragraph 19 you say that India cannot compete with England in coal and iron But I hear that the Tata people are competing with England in pig iron.

A. I should be glad to know that, but England wields suzerainty over all in coal and iron, does it not?

15761. *Q.* Their representative in Calcutta told us that he could compete in pig iron and could export it. He did not say he could compete in steel.

A. I was at Kalimati myself, but I think it is nothing when compared with your factories in England.

15762. *Q.* I should just like one more explanation. In paragraph 29 you state that India would have much to lose by, may I say, an unregulated scheme of Imperial Preference. I just want to put this to you. Suppose in the interests of India we were to impose a 50 per cent. import tariff against Great Britain. Now, supposing that 50 per cent. tariff had been imposed but we were to make it 60 per cent, against the rest of the world. Could you tell me why India should have much to lose by that preference?

A. The ordinary rule applies Suppose that 50 per cent. is itself a high tax on the consumer. The additional 10 per cent. might be adding a little to your finances, but it would cause more hardship to the consumer.

15763. *Q.* I don't quite follow you. I will put it this way ; if there is a 50 per cent. duty all round in the interests of India.

A. By 'all round' you mean on all articles imported into India?

15764. *Q.* Yes and supposing you put an extra duty of 10 per cent on other people's manufactured articles, where would that 10 per cent. cause a hardship to India? That is what I want to know.

A. It is not merely a hardship. Take the case of Germany. When Canada adopted a preferential tariff in 1906-07. Germany retaliated not only on Canada but she threatened that she would prohibit even English goods.

15765. *Q.* Do you think that anybody can retaliate effectively on India? I don't think so.

A. If you don't, you differ from the Government of India of 1903.

15766. *Mr. Narottam Morarjee.*—*Q.* In reply to the President you suggested that we have nothing to fear from Japanese competition. Are you aware that they have appointed a committee to find out the defects of their products so that they might improve and also put other commodities in the world?

A. I have heard about it.

15767. *Q.* In answer to Sir Montagu Webb you said that in England they have experts and that we do not get the same training as they get in England in technical matters in regard to cotton spinning and weaving.

A. Yes.

15768. *Q.* Do you want experts here?

A. Yes, at least for the present.

15769. *Q.* In regard to the establishment of foreign or British firms in India you said that the rules should be framed by the Government of India. Would you like to leave everything to the Government of India? Would you not like to associate the public to a certain extent?

A. Well Sir, you have got three Indians in the Government of India. They ought to be able to exert sufficient influence in the interests of our country in framing the rules. I do not mind in the least if you wish to associate the Members of the Council of State or the Legislative Assembly, but it will hamper the work. You might confide in the Government.

Witness No. 105.

The Madras Ryotwari Landholders' Association.

Written statement.

15770. The Association will confine its attention mainly to the questions raised under heads A and B in the Questionaire. It proposes to deal primarily with the general problems arising in connection with the fiscal policy to be adopted in the interests of India. The Association is interested, however, in the question as to how raw products are to be dealt with in any system of tariffs and the remarks relating to this will be dealt with under the head A, sub-head export duties.

A Revenue Tariff.

15771. The views of the Association may be expressed in the following words, free trade wherever possible and protection whenever necessary. The policy of a qualified free trade which it thus favours is not opposed to the imposition of customs duties for the purpose of obtaining revenue. A tariff generally as a form of taxation is less felt and from the point of view of satisfying one of the

canons of taxation, imperceptibility, possibly it is a more suitable form than direct taxation. But this very same fact might lead to a great deal of hardship and unfairness. Under a system of direct taxation the amount which each individual has got to pay to the State is determined or ascertainable and there is very little room for invidious preferences or distinctions. . The voting on any proposals on direct taxation will be done more intelligently and with the knowledge of their consequences. But with regard to proposals for indirect taxation like tariff duties, it will be difficult for most people to guage their effects. Any legislature is bound to be at the mercy of a handful of representatives of the manufacturing or industrial class and the tariff duties might be so manipulated as to result in hardships or undue advantage to individual trades or industries.

The Association does not desire to suggest any radical change in the list of articles taxed or in the rate of taxation. They are of opinion that the general rate on the imports might be raised to 15 per cent. and those on luxuries to 25 per cent. The advisability of raising the import duty on tobacco may be considered.

A Protective Tariff.

15772. The present import tariff is based primarily on revenue considerations. We think that the tariff policy should be directed so as to secure the greatest development in agricultural and industrial production, consistently with the interests of the consumers. That should be, in our opinion, the primary consideration. We do not think this will necessarily entail any sacrifice of our present revenue or of any legitimate increase that may be expected under the head of tariffs. The Association does not favour the imposition of excise duties on any article manufactured in India, whenever a duty is imposed on the same article imported from abroad nor can such duties be levied without appreciably raising the price to the consumer.

The Association has already indicated the view that the tariff should be framed primarily with the object of fostering and developing Indian industries. The advantages that we expect to derive from such a policy are that India can be made as far as possible independent and self-sufficing with regard to the supply of her own requirements. The problem of unemployment both in city and in the rural tracts will be to a great extent solved when diverse trades and occupations for which India is peculiarly fitted are established. Another advantage that will accrue to this country by the development of her industries will be the achievement of a higher status in the comity of nations by reason of her increased wealth and resources.

We doubtless look forward to a time when India can be independent of other countries in regard to most of her requirements. The Association thinks that there are certain manufactured goods for which India has to be dependent on other countries for a considerable time to come, of which scientific apparatus, machinery, and medical stores can be mentioned.

The Association favours the imposition of protective duties only on some imported manufactures. It would be against the interests of the society to favour any other course. It will be necessary to foster and develop what are described as essential or 'key' industries. Any increased cost which the consumer may have to pay or the State may have to bear will be amply compensated by the increased freedom from dependence on other countries with regard to her requirements of these commodities. We will select the following industries for protection, yarn, matches, paper, glass-ware, leather goods and sugar. The principle on which protection is advocated for these industries is to foster their development and to enable the manufacturer successfully to compete with the foreigner. The Association certainly does favour the establishment of new industries by protection and the principles on which such industries should be chosen are (1) that there are facilities for the growth of the industry in question and (2) that foreign competition is really a hindrance to its growth and development. We are against protection being afforded to industries which are not likely after some period to dispense with it. In the case of foreign goods favoured by measures like dumping, bounties, subsidies or transport concessions, it will be really necessary to grant special protection where its absence would affect prejudicially the local industry. In such cases it will be desirable to counteract or retaliate by the grant of subsidies or bounties equal in extent to the advantage secured by the manufacturer of foreign goods under such favoured treatment.

The Association is emphatically of the view that hand industries and in particular the handloom industry should be maintained at any cost. Though we are generally in favour of industrial development on modern lines, we wish to emphasise our attitude that in working out such a policy care should be taken not to denude the rural tracts of its existing population, except on areas where there is a manifest surplus population without employment of any kind. In the rural tracts in this presidency at any rate, the people are employed fully only for five months in the year and for the rest of the seven months they have to live in idleness. The consequences of such a state of things are very serious and unless subsidiary industries are developed in the rural tracts which will provide employment, without necessitating any considerable outlay on such industries, the problem of Indian poverty will remain unsolved. Hand industries and in particular the hand loom industries satisfy the above requirements. For this reason, if for no other, the Association will advocate a vigorous policy of fostering and developing these industries. We are aware of the fate of the hand loom industry under the free trade policy in our country and a change of policy seems to us immediatly called for. The existing preference to hand industries which has been developed vigorously by a certain political party may come to stay with us in which case the prospect of hand industries being able to hold their own position seems to be rather bright. The promotion of prosperity in rural tracts is to a great extent conditioned by the success of our efforts in developing industries affording subsidiary occupations in the villages.

There is no doubt the possibility of a combination among the protected manufacturers to maintain a quasi-monopoly price, where protection is introduced. There is also the same possibility, even in cases where no protection is granted, where the supply is concentrated in the hands of a few manufacturers. When this is found to be the case, there are only two methods by which such combinations could be broken, first, by declaring combinations for the purpose of maintaining a monopoly or quasi-monopoly price illegal and secondly by controlling the prices where necessary. If a protective policy is adopted, it is doubtless possible that British or foreign industrial firms will endeavour to establish themselves in India and get the benefit of the protective tariff. Our attitude towards such a movement will be that it should not be unwelcome, provided firstly that the incorporation and registration of such firms in India should be rendered obligatory, secondly, that at least half the share capital should be open to subscriptions by Indians and thirdly, that half the directorate should be Indian. Subject to these conditions, to secure which suitable amendments in the Indian Companies Act might be made, we do not think that there will be any hostility to British or foreign firms working industries in India. Under the protective system, the conflict of the interests between the producers of raw materials and the manufacturers might give rise to difficulties. But this ought not to be incapable of adjustment. When any such conflict arises by reason of producers of raw materials opposing it, this ought to be decided solely by the criterion as to which course is ultimately in the interests of the society. We doubtless realise that this cannot be easily determined. This only leads us to a suggestion which we desire to make for the constitution of a committee consisting of representatives of different interests and experts to advise the Government of India on the regulation of tariffs from time to time and it would be necessary that their proposals should be scrutinised by the Executive Council of the Government of India before they are submitted for the approval or the sanction of the legislatures. As regards the question of the protection of the spinning industry as opposed to the weaving industry, we are inclined to think that the former does require protection while the latter might be said to have outgrown the stage of protection.

Effect of Protection an Prices and on the Consumer.

15773. It is no doubt true that when an import duty is imposed, ordinarily, the whole or any part of it is passed on to the consumer in a rise of price. As to whether the whole or any part of it is passed on, it will depend upon the commodities themselves. When a protective duty causes a rise in price it is apt to be more or less permanent. Except when the protection is withdrawn from the industry and the manufacturer is made to face the forces of competition in the world market, the prices will not adjust themselves to what might be called the normal level. The Association will certainly be prepared to accept a small increase in price to the Indian consumer for the sake of developing Indian industries, provided that the necessaries of life are not protected in such a way as to increase very materially the

cost of living to the consumer. In working out a policy of tariffs, due regard must be shown to the question as to whether the protected article is a necessary of life or not. The following articles may be classed as necessaries (1) food-grains, (2) salt, (3) cloth and (4) kerosine. The increase in the cost of living would be covered in part by a rise in wages or salary for the industrial wage earner and the middle classes. In the case of the agricultural wage-earner, the rise will be slower and less responsive.

Effect of Protection on Foreign Trade.

15774. As to the effects of a policy of protection, it will be difficult to estimate them without reference to the actual commodities protected and the extent to which the manufacturers will be able to avail themselves of its benefits. Ultimately a policy of protection, if properly worked, will place India in a position of very considerable advantage with regard to her foreign trade and she might enjoy a very favourable balance of trade. It might also lead to a considerable improvement in the general commercial position and prospects of the country.

Use of Tariff for bargaining.

15775. The Association does not look with favour the idea of using tariffs for the purpose of bargaining with other countries. If, however, such a course is rendered necessary the adoption of general and special tariffs will become inevitable. We are opposed to the idea of making the tariffs more detailed than it is at present for the purpose specified above.

Organisation for investigating the claims of industries.

15776. We have already indicated the need for some kind of organisation for investigating the claims of various industries to protection from time to time and for the periodical re-adjustment of tariff rates. We will suggest a committee consisting of two representatives from each province, one of them representing the manufacturers and the other the producers of raw materials. These might be elected by the local legislatures. To this committee the Government of India may nominate not more than five experts. The functions of this committee should be advisory and their proposals should be scrutinised by the Executive Council of the Government of India, before they are submitted for the approval of the Central Legislature.

Export Duties.

15777. The Association is of opinion that export duties may be levied not only for the purpose of raising revenue but also for other purposes, as, for instance, to encourage the retention of raw materials in India for purposes of manufacture. The imposition of an export duty may have the effect of restricting the exports, except in the case of commodities the production of which may be said to be an Indian monopoly. If the diminution in the export trade can be counterbalanced by an extra demand for those commodities within the country itself, no conceivable hardship would arise to the export trade. It is only in cases where such extra demand could be stimulated and secured that export duties should be levied. Otherwise, it would hinder the producers of raw materials from realising the best price for their commodities. In certain cases, the imposition of export duties would become necessary in the interests of the society for the purpose of retaining within the country essential commodities, when there is a deficient production, for example, food-grains. The Association has on a previous occasion suggested to the Government, the need for the imposition of export duties on oil-seeds and oil-cakes. It would take this opportunity to reiterate this demand. The export duty on oil-seeds has been suggested with the idea of retaining them for the purpose of manufacture and that on oil-cakes for the purpose of cheapening their price to the agriculturists in the interests of increasing the fertility of the soil which has shown an unfortunate tendency to deterioration. We are emphatically of opinion that export duties should not be levied on foodstuffs with a view to control their export and thereby lower their price, except in years when the country is faced with a very deficient food supply and then only as an emergency measure. We are not opposed to the idea of imposing an export duty on raw materials in retaliation for an import duty imposed by a foreign country on the manufactured article.

Imperial Preference.

15778. The Association does not favour the idea of Imperial Preference India does not stand to gain by such a policy. We do not think that India will be justified in risking any appreciable economic loss for the sake of this fetish of Imperial Preference.

Oral examination of Mr. E. V. Sundara Reddi, Secretary of the Madras Ryotwari Landholders' Association, examined at Madras on the 3rd February 1922. Sir Montagu Webb took the chair owing to the temporary absence of the President.

15779. *Chairman, Sir Montagu Webb.*—*Q.* Are you the representative of the Madras Ryotwari Landholders' Association?

A. Yes.

15780. *Q.* How long have you been representing them?

A. May I take it that you mean how long has this Association been in existence?

15781. *Q.* No. How long have you represented it?

A. I have been the Secretary of the Association for the past four years.

15782. *Q.* That is ever since your Association was formed?

A. Yes. Approximately.

15783. *Q.* Are you a land owner yourself?

A. Yes.

15784. *Q.* I see from your written evidence that your 'Association is of opinion that export duties may be levied not only for the purpose of raising revenue but also for other purposes, as for instance, to encourage the retention of raw materials in India for purposes of manufacture.' Do you think that the imposition of export duties would have any effect on prices?

A. It will have, doubtless.

15785. *Q.* What effect would it have?

A. The effect of lowering the prices of raw materials.

15786. *Q.* Would that be to the advantage of your members?

A. Certainly not, with regard to all commodities. The statement you have quoted is merely a general statement of our position. We wish to qualify our position. We will not favour the imposition of export duties in many cases. But there is one commodity in respect of which we would like an imposition of export duties, that is, with reference to oil-seeds.

If the imposition of an export duty is found to be in the interests of the agricultural community itself, then we would favour such imposition.

15787. *Q.* Would it benefit the agricultural community to-day, if there should be an export duty on oil seed?

A. Yes, if along with the imposition of export duties on oil seeds a sufficient encouragement is given by the State for the development of the oil industry.

15788. *Q.* Do you mean that the cultivators of oil-seed will be benefited?

A. Yes, the cultivators of oil seeds will undoubtedly be benefited even though the prices fall. There are two ways in which those benefits would arise: (1) it would give birth to industries which can grow in the rural parts and therefore find employment in the rural tracts for persons who at the present moment are unemployed and (2) the local utilization of the oil-seeds might result by reason of their important bye-products in an appreciation of their commercial value.

15789. *Q.* You have not got factories?

A. That is why I suggest that side by side with the imposition of a duty the question of encouraging the oil industry should be taken in hand forthwith.

15790. *Mr. Narottam Morarjee:*—*Q.* In your memorandum you say that your Association will select the following industries for protection: yarn, matches, paper, glass-ware, leather goods and sugar. Would you not include steel and other articles?

A. At the present moment we are not inclined to include steel, machinery and so forth, for the sole reason that we would very much like India to advance industrially

and for that purpose it is essential that we should have the freest supply of these commodities.

15791. *Q.* You say that your Association are aware of the fate of the handloom industry under the free trade policy in this country and that a change of policy seem to be immediately called for. Have you any figures to prove the decline of the handloom industry?

A. At the present moment I have not got figures to show the relative position occupied by the handloom industry and the mill industry. The position seems to be approximately this, that out of a total production of cotton goods in India nearly two-fifths I think, can be set down to handloom industry. This, however, is only an estimate.

15792. *Mr. Coyajee:—Q.* Are you an advocate of a policy of qualified free trade?

A. Yes.

15793. *Q.* Your objection to indirect taxation is that people cannot gauge the effects, is it not?

A. Yes.

15794. *Q.* In case of a deficit in our finances which would you prefer, the raising of direct taxation or indirect taxation?

A. It is a question which has to be decided as issues arise. So far as our position is concerned, it is this, that we do not think that there is very considerable scope for direct taxation in this country. Direct taxation has reached a level which it is rather difficult to exceed. Therefore we may be inclined to favour indirect taxation. At the same time we feel it our duty to indicate one of the principal objections to indirect taxation and the dangers to be guarded against in levying such indirect taxes. The principal objection, in our view, is that whereas in the case of direct taxation one can gauge how much exactly he has got to pay to the State and therefore can be in a better position to say to the State, 'You may levy this tax' or 'You ought not to levy that tax', in the case of an indirect tax, for instance, an increase in customs, opinion will not easily crystalise itself in that way and it will be difficult especially for the legislators to have any effective voice in these matters. That is the position we take.

15795. *Q.* I see that your Association are of opinion that the general rate on the imports might be raised to 15 per cent. and that on luxuries to 25 per cent. But the results of the last increase of duties show that a luxury tax of 20 per cent. has diminished the revenue.

A. That may be a temporary effect. It is too early to judge of the results of the imposition. We must allow sufficient time to elapse before we can draw any deductions from that.

15796. *Q.* I also see that your Association wish to emphasise that in working out a policy of industrial developement care should be taken not to denude the rural tracts of its existing population. Do you believe there is some possibility of the development of industry leading to a large diversion of the agricultural population?

A. Undoubtedly. Our object is to promote the industrial development and to establish industries for which this country is peculiarly fitted. The danger doubtless to a certain extent is that these industries will draw a considerable portion of the population from the rural tracts to those places and the attendant evils might arise with regard to overcrowding of the people and so on. What we are particularly anxious is that in the selection of localities for the industries and other relevant matters relating to the movement of the people, care should be taken not to allow the possibility of drawing away the masses of the population from the rural areas.

15797. *Q.* As against that I would submit one consideration. It is this. Suppose the industries develop fairly quickly say 10 per cent. a year. Suppose also that a million people are employed in India in industries. That means that about a hundred thousand will be drawn away every year for industries. What would that be when compared to the normal growth of the population in India?

A. I take your question to mean whether the population taken from the rural parts by the starting of industries will not be compensated by the growth of population on account of natural causes.

15798. *Q.* Exactly. There is not much danger then of the agricultural industry being replaced.

A. Our point is this, that we are more in favour of industries which can be developed in rural tracts so as not to render necessary the movement of the population from the rural tracts to towns.

15799 *Q.* Is there anything in the way of fiscal policy that can create new industries in rural areas rather than in the industrial centres?

A. Doubtless. That is why we advocate the imposition of an export duty on oil seeds with a view to the reduction of its exports and to its utilisation locally and if the oil industry comes into existence it will be located mostly in rural areas. Again in regard to the handloom industry it will necessarily be located in villages. In the list of articles which might be chosen for protection we have included yarn. Our object is to develop the spinning industry which might be developed and, if developed, might benefit the rural tracts. Our suggestion is that yarn below certain counts ought to be protected so that there may be considerable development of that species of yarn, for instance, below 40 counts. Then, with regard to handloom industries, they mostly draw upon yarn of lower counts. So the fiscal policy we advocate if directed to rural conditions, works out in these two ways, that is the imposition of an export duty on oil-seeds with a view to the developement of the local oil industry and the imposition of a protective duty on yarn especially of low counts so as to encourage the handloom industry which is essentially a village industry.

15800. *Q.* Don't you think you might hit the handloom industry by imposing a duty on yarn, because the handloom industries are using yarn of lower counts whereas the yarn imported is of higher counts?

A. It is not quite true. The spinning industry has not been taken up as vigorously as the weaving industry. The spinning industry has shown a decline. In order that these sister industries might thrive together we make a suggestion of a protective duty on yarn.

15801. *Q.* You have no apprehension that an import duty on yarn might be utilised much more by the power industry than by the hand spinners?

A. Not very much.

15802. *Q.* You observe that it is only in cases where an extra demand could be stimulated and secured that export duties should be levied; that is to say the extra demand should manifest itself tangibly?

A. Yes.

15803. *Mr. Seshagiri Ayyar:—Q.* I believe there is enough of agricultural labour in this Presidency and that most of it is half-timed.

A. Yes.

15804. *Q.* A great deal of agricultural labour has migrated?

A. Yes.

15805. *Q.* Therefore there is no chance for sometime to come for the agricultural industry to be denuded of labour by the development of industry?

A. No immediate chance. But we certainly think that this agricultural population are best located in the villages themselves.

15806. *Q.* Is agriculture likely to suffer by the starting of industries?

A. The position is this. It is true that our agricultural labourers are not fully employed. But for that very reason we cannot dispense with the present available population in the rural tracts. We require the services of the agriculturists, say, during five months in the year. We cannot distribute the same work throughout the year so as to dispense with a certain amount of the population. The whole village population will be required during those five months.

15807. *Q.* At present there is no scarcity of men to attend to agricultural work. As a matter of fact a large number of men do migrate. By starting industry, you may utilise their labour. I am only putting it to you that by starting industries there is no likelihood of agriculture suffering from want of men?

A. Our position is this, that in working out a fiscal policy we ought to avert the danger of allowing the rural population to move into towns. We ought to so arrange our policy, that the industries should be located in such places as will not draw away the population to towns.

15808. *Q.*—

A. With reference to the question of migration and as to whether there is any local scarcity of labour, I may state that if there is migration, it is because of the fact that when people migrate they have certainty of employment throughout the year, whereas here the conditions are such that they are employed only for five months in the year. That is why we are anxious that our industries should be so developed as to keep the labour fully employed throughout the year. Then the question of poverty in these rural areas will be solved.

15809. *Q.* In paragraph 2 of the memorandum, you say 'Any legislature is bound to be at the mercy of a handful of representatives of the manufacturing or industrial

class.' May I know what it means? I don't think there is any chance of many of us being imposed upon?

A. I mean that there may be representatives say of the cotton industry or some other particular industry.

15810. *Q.* The members of the legislature are not likely to be imposed upon by such representatives?

A. That is a matter which history alone can prove. If we look back to the tariff history of other countries certainly we find that a particular industry demanded the legislature.

15811. *Q.* You advocate the imposition of a duty on yarn and at the same time you say that vigorous efforts should be made to push on the handloom industries. At present there is no duty on yarn, and if you put a duty on yarn, is it likely to have the effect of vigorously fostering the handloom industry as against the mill industry. Is it not likely that the handloom weavers will suffer?

A. When we state that vigorous efforts ought to be made for pushing the handloom industry we mean vigorous efforts on the part of the State to encourage these people to take to the spinning industry, by organising, for instance, co-operative societies to go on with that work and then by stimulating the spinning industry among these people and making them take to it once more.

15812. *Q.* Do you think that there is no danger by the imposition of a duty on yarn, of handicapping the handloom industry?

A. Yes, that is my opinion.

15813. *Q.* Is it your Association's view that there should be an export duty on food-grains?

A. No.

15814. *Q.* I don't quite understand this. You say in your memorandum 'in certain cases, the imposition of export duties would become necessary in the interests of the society for the purpose of retaining within the country essential commodities, when there is a deficient production, for example, food-grains.' Is it your Association's view that it would be desirable under certain contingencies to impose an export duty on foodgrains?

A. Yes. We would have an export duty only on occasions when it is desirable to have all the food-grains within the country instead of their going abroad.

15815. *Q.* So it is the deliberate opinion of your Association that there should be an export duty on food-grains?

A. Yes, under special circumstances.

15816. *Q.*—Is it the unanimous opinion of your Association?

A. We did not raise our voice against the policy of restricting the export of rice in this Presidency when our Presidency was faced with a very considerable shortage of food-supplies.

15817. *Q.* Do you know that a resolution was brought forward by a representative from Madras in the Legislative Assembly that all restrictions should be removed and no embargo put upon the export of rice?

A. It was at a later stage, I understand, when possibly the need for their continuance had ceased to exist.

15818. *Q.* No. It was last year. You know very well that famine conditions have not ceased to exist yet.

A. They are confined to specific districts. It is not on account of a general deficiency. It is due to the deficiency in the local supply. Some months back there were famine conditions in Kurnool and neighbouring districts mostly on account of the local deficiency in food production. They had to be supplied with food from other tracts and also certain other measures were necessary on account of the fact that people were practically without employment.

15819. *Q.* I want to know whether it is the deliberate opinion of your Association that there should be a duty upon the export of food-grains in times of famine?

A. Under very grave circumstances, when the whole country is faced with a considerable shortage of food-supply, I will agree to an export duty, and then only as an emergency measure.

15820. *Mr. Birla.* *Q.* I find that you advocate an export duty on oil-seeds, but as you know very well, the major portion of our oil-seeds is exported to foreign countries, because we have not got sufficient factories in India to crush the seeds. So is it desirable, in the interests of agriculture, to impose an export duty and lower the prices when there are no factories to utilise all the oil-seeds?

A. To a certain extent I have answered the same question before and I shall answer it again and indicate our position more specifically. As a matter of fact in the local Legislative Council a resolution was brought forward a few years ago during the War in favour of the restriction of the export of oil-seeds. The object of that resolution was to render possible the utilisation of the oil-seeds within the country for manufacturing purposes?

15821. *Q.* But I say there are no factories to take all the seeds.

A. No. But Government gave an assurance, when that resolution was withdrawn, that they would take measures for establishing local industries which would utilise these oil-seeds and that therefore it would render unnecessary any restriction on the export of oil seeds? The War passed on and during the progress of the war the Government could not get the necessary machinery for the purpose of establishing these industries.

15822. *Q.* Do you think it is the business of Government to start these industries?

A. I am simply stating the position which Government took up. The position is this. The effect of the War has resulted in a considerable diminution of the export of oil-seeds. This diminution is due to two factors. One is the deficiency of production of oil-seeds, and the other is the diminished demand elsewhere on account of trade and transport difficulties.

15823. *Q.* Exports came down because there was not much seed in the country?

A. There were other crops to which the agriculturists took because they had more favourable demand for them.

15824. *Q.* So there was shortage also?

A. That might be. I coupled the suggestion that there should be an export duty on oil-seeds with the suggestion that simultaneously efforts should be made to establish these industries.

15825. *Q.* I quite agree with you. But I think you are putting the cart before the horse. You want to retain the raw material when you have got no factories to crush it. What will be the position in the transitional stage?

A. The position that we have already taken up is that there is absolutely no industry here in connection with oil-seeds except that which turns the oil-seeds into oil and cakes. Of course it is possible to utilise the oil-seeds for better purposes from the manufacturing point of view. I believe there has been some attempt in the West Coast to set up an industry of this kind. An encouragement would doubtless be afforded to efforts in this direction if an export duty is levied. I would not suggest the imposition of a very large export duty immediately, but I would see that any efforts in this direction are encouraged by the imposition of a small duty in the first instance. I would at the same time suggest that this is eminently a sphere in which Government action would be welcome.

15826. *Q.* I do not see what Government can do so far as the starting of industries is concerned. However, I do not want to pursue this point. You suggest a 15 per cent. import duty all round. I think that we should examine each case on its merits. For instance, take the case of machinery. Machinery is not manufactured in India, and naturally the millowners will not like that any duty should be imposed on machinery, which is a sort of raw material for their factories?

A. Might I explain myself. Our position may be stated thus. With regard to those articles on which at present a 11 per cent. import duty is levied we think that an increase to 15 per cent. would be justified. With regard to articles on which a duty of 20 per cent. is levied at present we thought an increase to 25 per cent would be justifiable.

15827. *Q.* You mean that those which are coming in free should be kept free?

A. We do not make any change in regard to such articles.

15828. *Q.* I understood you to say a little while ago that you wanted an import duty on yarn?

A. Yes.

15829. *Q.* But you know that yarn is coming free?

A. Yes.

15830. *Q.* Do you want it to pay duty or to come in free?

A. The amount of duty will be a matter for determination by any body which is appointed for the purpose of going into these questions. It is for that body to find the pitch of these duties. Yarn should be protected.

15831. *Mr. Mant.*—*Q.*—To advert for a moment to the question of an export duty on oil-seeds, you export groundnuts I suppose?

A. Yes.

15832. *Q.* Can you tell me what other countries produce groundnuts ?

A. I have not got the information here.

15833. *Q.* Anyhow, there are some competing countries ?

A. Yes, there are.

15834. *Q.* Supposing the French, as I understand, take a large proportion of the crop, if you put an export duty, would not they be likely to turn to other countries for oil-seeds ?

A. With regard to groundnuts I think our production is far larger than that of any other country.

15835. *Q.* You produce much cheaper, and if you put an export duty on your produce you raise the price abroad ?

A. We do raise the prices abroad. Our object in putting an export duty is to render possible the utilisation of the produce here.

15836. *Q.* Then the demand for the Indian crop will be reduced ?

A. Doubtless it will be from the foreign point of view. But we wish to promote the local demand for it by the building up of local industries.

15837. *Q.* It would take a long time before you can build mills to take up all the local produce ?

A. The whole difficulty is this. We do want the utilisation of the groundnuts locally, and it doubtless requires the establishment of mills for that purpose. We advocate the imposition of a duty with a view to bringing these mills into existence earlier than otherwise would be possible.

15838. *Q.* But I want you to consider it from the point of view of the agriculturists producing these oil-seeds ?

A. If their prices are lowered and even if the mills take some time to come into existence we will have a local demand in the shape of oil and cakes as well. The diminution in the price of cake is especially good for the agriculturists.

15839. *Q.* I am not talking of the oil and cakes. We are assuming that for some time all groundnuts produced will not be consumed, and I want to know what will happen to the balance of groundnuts which the mills cannot consume.

A. I do not think there will be any difficulty with regard to the crushing of the oil-seeds. Sufficient mills will come into existence for that purpose. What I am afraid of is that the mills which will come into existence may not utilise them to their fullest commercial value.

15840. *Q.* The mills may take some time to come and till then these groundnuts would not fetch the same price as they fetched before on account of the fact of the imposition of an export duty. How would this position affect the agriculturist ?

A. My answer to that question is this that in any case there will be no difficulty. Those mills of the type we have in view which will utilise the groundnuts to the fullest possible extent may take time to come, but there would not be any difficulty with regard to mills of the ordinary type, which are already in existence and which crush the groundnuts. These mills will come into existence in sufficient numbers and there would be no difficulty so far as these are concerned in converting the oil-seeds into oil and cakes.

15841. *Q.* You say that there are a sufficient number of mills ?

A. There are a number of mills already which crush the oil-seeds and convert them into oil and cake. But the mills which we contemplate with regard to the oil industry are of a different type and for different purposes.

15842. *Q.* Then I understand you to say that the whole output of groundnuts of this Presidency would be very quickly absorbed by the local mills.

A. Yes, though the fullest commercial value may not be realised from the seeds.

15843. *Q.* The agriculturist will get lower prices for his seeds.

A. But he is compensated in other ways.

15844. *Q.* What are the other ways ?

A. Both the oil and the cake are in demand by these agriculturists. The cake is mostly utilised for the purpose of increasing the fertility of the soil, and so if the price of cake is lower than at the present moment it will be to the benefit of the agricultural community.

15845. *Q.* You think they will make up the loss in that way ?

A. Yes. At the same time there is the possibility of the mills of the type we have in view coming into existence, which can utilise the groundnuts to the fullest commercial use from the point of view of converting them into valuable bye-products which cannot be done now.

15846. *Q.* Your Association proposes that in case foreign firms establish themselves in India at least half the share capital should be open to subscriptions by Indians and that half the directorate should be Indian. I do not want to go into the question of capital. But I want to know why your Association wishes to stipulate that half the number of directors should be Indians.

A. The only object of such a stipulation is this, that at the present moment the greatest handicap under which the Indians labour is that they have not got the necessary business training and initiative in these matters. This Association would very much like that efforts for the purpose of giving this necessary training should be made so as to enable Indians industrially to advance.

15847. *Q.* Would they not get it at the expense of the shareholders in the company ?

A. I do not think so at all. I do not regard the co-operation of the foreigner with the Indian to be necessarily at the expense of the share-holders.

15848. *Q.* You say that they have not got the training and you want to give them this training. So you would have to compel the companies to put in Indian members.

A. I do not think that the Indians completely lack that attitude of mind which would make them as good business-men as others. But all that I say is that the opportunities for association with business-men are not there already and if these opportunities are made available they would make as good business-men as the others, and the share-holders would not in the least suffer by such a process. This process will benefit all concerned.

15849. *Q.* You stipulate for a majority of Indian shareholders. Can you press them to educate Indian directors ? They would take them if they were suitable.

A. I do not stipulate for a majority of Indian share-holders.

15850. *Q.* You say "at least half." Unless it is going to be exactly half, there would be a majority. When you say "at least half" you practically mean the majority. It cannot be the minority.

A. I think your question is this : Supposing in any firm the share-holders belong to different classes. Are we to compel the share-holders to elect men on the directorate in proportion to the extent to which the shares are held either by Indians or by others ?

15851. *Q.* No. Not at all. My point is this. The principle of joint stock companies is to give the share-holders a voice in the management. Let the majority of the share-holders determine who is going to manage their shares. You are limiting their freedom of choice. That is what I want to ask. You tell me that you are doing it in order to train up some unsuitable people in the business of directorship, ad I say that you are doing it at the expense of the share-holders.

A. I did not suggest that we should train unsuitable men. We are training men most suited for that purpose and we put them in a position where they may derive the best advantage and be as good at work as the others.

15852. *Q.* The share-holders may not think them to be fit. If they think they are fit they will elect them.

A. The whole thing comes to this. Whether under existing conditions if you allow the process of unlimited choice without any restriction whatsoever being placed we would bring about the desirable object of getting enough Indians associated with these concerns. I am afraid that in the event of an unrestricted choice we may not attain our desired object. We do allow the share-holders liberty of choice. The only way it is sought to be qualified with regard to persons on the directorate is that there should be certain persons from certain classes. But as between the two classes we give them absolute freedom, and so really there is no limitation.

15853. *Q.* It simply comes to this that you make the interests of business subject to racial considerations.

A. The interests of business are best promoted by the association of Indians with the others, and it is in the interests of all concerned.

15854. *Q.* You are laying it down as a premise that every interest is best served by having Indians on it.

A. Even from the English point of view I would certainly suggest that Englishmen will gain a great deal by having an Indian element in the directorate.

15855. *Q.* I doubt if it is so. What I want to know is what justification you have for circumscribing the liberty which the share-holders enjoy of electing competent and experienced men ?

A. The object with which the stipulation is made is to get competent and experienced Indians on the directorate.

15856. *Mr. Jamnadas Dwarkadas:*—*Q.*—I want to pursue a little further the point which Mr. Mant has raised. What is your actual proposal? Would you force every European company to have Indian directors?

A. Yes.

15857. *Q.* Would you compel them to do so?

A. This is with regard to industries that are to come into existence henceforward, not with regard to those which are already in existence. With reference to industries likely to be established here under any system of protection which may be given, for which necessarily the consumers have got to pay, we may stipulate that every firm which establishes itself here must allow at least half of its shares to be open to subscription by Indians and also that half the directorate should consist of Indians.

15858. *Q.* Taking the second condition, do you think it is really necessary to impose that condition? You are imposing this restriction because frankly speaking you are afraid that the business will go entirely into the hands of foreigners, and that the benefit of the protective policy will be reaped not in this country but by people who come from other countries. That is your apprehension, is it not?

A. Yes.

15859. *Q.* But is there any room for such an apprehension?

A. There is also a further reason why such an insistence is made. If a protective policy is adopted, frankly speaking, we pay for it. My suggestion is that by associating a certain number of Indians in the concerns which are started under a protective policy in the beginning Indians will gain experience in business concerns, and my own feeling is that business will not suffer in the least on that account. On the other hand business will gain an advantage by this association of Indians in the directorate.

15860. *Q.* You have the majority in the Central Legislature. There is no doubt that a firm, whether it is European or Indian, will have to depend to a certain extent on the Indian Legislature in matters of policy, will it not?

A. Yes.

15861. *Q.* Also in most matters they will have to depend on the Indian Legislature. As we approach to responsible government the Indian voice will predominate.

A. Yes.

15862. *Q.* In view of these facts, do you imagine that the European firms won't associate Indians with them. Have you no faith in the business capacity of the European firms?

A. It is only the existing conditions that have necessitated a proposal of this kind. Not many of these concerns would very much like the shares to be held also by Indians and also that there should be a fair proportion of Indian in the directorate. We do not find either the shares being held by Indians or the directorate containing an Indians element on it. If they had done this, we would have gained with reference to such industries the training which would render possible the creation of more industries and the face of industrial advancement would be faster. Also, you are aware of the agitation as to the necessity for the representation of Indians on the Presidency Banks. No doubt that agitation had some effect, and at the present moment we find more Indians appointed on the directorate. I do not think for all time to come we would have to fetter the discretion of the shareholders. Till such time as the share-holders in a position, especially the Indian element on it, to assert themselves and send a fair quota of men for the directorate, I would insist that there should be such restrictions.

15863. *Q.* Take a place like Bombay, where you know that Indians hold their own in business against the foreigners. They have got as important a position in business as the European community has got. The business relations between Indians and Europeans are all that can be desired. To my mind there is no racial question there. That is because of the fact that you find competent Indians in Bombay in business matters. You admit that you want the association of Indians because they are inexperienced and you want them to gain experience. I do not admit that I think that in almost every province you will find experienced and competent Indians. Why should business considerations be subordinated to considerations of race in concerns which are to start?

A. I have stated my position. Indians are equally fitted to discharge their functions as efficiently as others. They have not done so because of the lack of opportunity for that purpose. If you say they are unsuitable for the purpose of being placed in the directorate I say that they are so on account of certain factors, I say that they do not lack the business capacity and I suggest that your should give them the opportunity which they have not got. They have the capacity but they have not got the opportunity, and it is for that purpose that I want the association of Indians with other people.

15864. *Q.* Mr. Coyajee asked you whether luxuries should be taxed at the rate of 25 per cent. and the import duty on other articles raised from 11 to 15 per cent. He also asked you if it was not your experience that the revenue had fallen. You said that it had fallen, but you added that one year was too short a period to judge. Don't you think that the imports have fallen because of the sudden fall in exchange?

A.—Yes.

15865. *Q.* Therefore you cannot take this year as a normal year and deduce facts from what has happened during this year?

A. No. You cannot deduce anything from this year's results.

15866. *Sir Maneckjee Dadabhoy*:—*Q.*—What are your special reasons for advising an imposition of export duties on oil-seeds and oil-cakes?

A. Our reasons are two in number. By the imposition of such duties the local utilisation of the oil-seeds would be possible It might result in the growth of an oil industry within the Presidency.

15867. *Q.* One is local utilisation. What is the other?

A. The second is the bye-products, the most important of which is perhaps the oil-cake at the present moment.

15868. *Q.* Which is used as manure?

A. Yes, and any diminution in the price of manure or in the price of the oil-cake would lead to its greater utilisation for the purpose of increasing the fertility of the soil and therefore promote agriculture.

15869. *Q.* Now let us take your local utilisation first. Have you got factories enough to utilise all your cakes at present?

A. There are two kinds of mills which might utilise these oil-seeds. We have got already a number of mills.

15870. *Q.* How many mills are there?

A. We have got mills of the rudimentary type. I am only referring to the possibilities of extension in that direction. We have also mills in certain towns where oil-seeds are converted on a large scale into oil and oil-cakes, but when I said that local utilisation should be rendered possible by the levy of an export duty on oil-seeds, my object was utilisation for the purpose of converting oil-seeds for better purposes than is being done at the present moment.

15871. *Q.* If you have not got means of local utilisation, you would not impose an export duty?

A. I will start with a small export duty and see how it improves the present position. As regards local utilisation, as I said, there are already some efforts made in the direction of establishing oil industry in certain portions of the Presidency. A small export duty might substantially assist that and may lead to further efforts in the direction of establishing more mills.

15872. *Q.* Won't you depreciate the value of your seeds?

A. It would to some extent but at the same time we get compensation in other ways. The price of oil and of oil cakes will be lowered.

15873. *Q* I don't agree. Can't you attain that object by putting prohibitive duties on manures? Why go to the circuitous method?

A. We suggest also an export duty on oil cakes but this may follow as a result.

15874. *Q.* You will admit that if you want manure, you can stop also the export of oil-seeds,

A. Yes.

Witness No. 106.

Dr. GILBERT SLATER, M.A., D.Sc., M.L.C., Publicity Officer, Madras.

Written Statement.

A. GENERAL.

15875. *Q.* 1. I generally favour a policy of free trade. Had I not done so previously I think the experience of the past three years of world's history would have converted me. But for India I do not consider that a simple policy of either unadulterated free trade or out and out protection is possible. The general sentiment of all the opinion of India that counts is strongly protectionist, and this makes unadulterated free trade cease to be possible now that India controls its own fiscal policy. On the other hand owing to a combination of financial and political considerations India requires a large and increasing revenue from Customs. Hence policy with regard to the imposition of Customs, duties must be guided mainly in the future, as it has been in the past, by revenue considerations. India therefore must have a tariff mainly for revenue but modified by a protectionist flavour.

15876. *Q.* 2. From the economic point of view I consider that direct taxation is the more suitable form, and that it would be a very great benefit to India if Permanent Settlement were abolished, and the land revenue in the first place made fairly uniform in the proportion it bears to the economic rent over the whole of India, and then were allowed to expand in proportion to the increase in the economic rent of land. There are very great and obvious political difficulties preventing this, but I think that we may hope at least for the extentions of Income tax to incomes derived from land, particularly in the case of permanently settled estates. Nevertheless I anticipate that the financial needs of India will necessitate in addition an increase in the Customs revenue. In so far as it is sought to obtain such an increase by putting up the rate of taxes, careful consideration must be given to what the trade will bear.

15877. *Q.* 3. If an Excise duty were levied on manufactured tobacco, I think imported tobacco may stand an increase in duty. I am not in a position to judge what other increases are practicable or advisable. At the same time I should like here to remark that I do not think the Government of India should be discouraged by finding that the imposition of the 20 per cent. import duty on certain articles has been accompanied by a great falling off in the import of those articles. Such falling off is likely, in my opinion, to be only temporary.

15878. *Q.* 4. My answer, for reasons indicated above, is " Yes."

15879. *Q.* 5. I do not consider that the first part of this question can be answered unless the actual tariff policy of the past be compared with some alternative hypothetical policy. If the present policy were continued it would be, in my opinion, a mistake to consider the tariff as important a factor as many others. The economic factor which has dominated Indian industrial conditions is the smallness of the amount of thought and energy which the educated classes of India have devoted to industrial achievement. This attitude of mind is being altered rapidly, and in view of the tremendous natural resources of India I anticipate rapid industrial development whether the present policy be continued or whether it be modified in the protectionist direction as far as possible without sacrificing Customs revenue.

15880. *Q.* 6. I approve in theory of imposing an Excise duty on an article which is taxed on importation. As a matter of practice this should obviously be done in the matter of tobacco; it is already done to a certain extent in the matter of alcohol and of salt. It is approved by Indian opinion with regard to alcohol; and tolerated with regard to salt through long use; and it would be approved by most Indians in regard to tobacco. But Indian objections to its application to textile, iron and steel and similar industries would obviously be overpowering. It is possible however that the existing Excise duty on mill-woven cloth, at one-third the rate of the Customs duty, may be allowed to remain for revenue purposes, and as some protection to the handloom weaver.

15881. *Q.* 8. It is I think obvious that import duties combined with Excise duties cannot be imposed without raising the price to the consumer. I believe further that it is practically certain that the greater part of the incidence of an import duty not accompanied by an Excise duty would fall on the consumer and that therefore he would also have to pay an increased price for the Indian product.

15882. *Q.* 9. As stated above, I consider that the Indian tariff must necessarily be framed mainly from the point of view of revenue.

15883. *Q.* 10. This question as worded asks one to see into an unlimited future. It is clear that India can easily expand its production very greatly in the following articles :—

(*a*) Cotton goods (medium counts),
(*b*) Iron and steel manufactures,
(*c*) Leather goods,
(*d*) Power alcohol,
(*e*) Machinery,
(*f*) Soap,
(*g*) Pottery and China,
(*h*) Silk goods,

and no doubt many other articles.

The climate apparently will never permit effective competition with Lancashire in the finest cotton goods, but the increased area under Punjab-American and Cambodia cotton will make a great extension of cotton manufactures of counts between 30s and 60s practicable. It will apparently be a long time before India can excel in the manufacture of goods which require exceptional accuracy and care on the part of the workmen. It is noticeable that Tata's Iron and Steel Company employs Chinese carpenters for all the wood work requiring skill and gives them Indian coolies to do the rough work.

15884. *Q.* 11. I would concede no more than was necessary to Indian protectionist sentiment.

15885. *Q.* 12. Indian sentiment specially demands protection in the cotton industry, but possibly it may be satisfied with the measure of protection already attained in view of the fact that the consumer has had to pay so dearly for the hindrances imposed by war and tariff on the importation of Lancashire cottons.

15886. *Q.* 13. If it be found absolutely necessary to establish some new industries, I think more direct measures than protection will be required.

15887. *Q.* 14. I believe that in India the more Governmental assistance, by tariff or otherwise, is given to a particular industry, the more additional assistance it will demand.

15888. *Q.* 15. I am strongly opposed to any such proposal, I should view the development of a Bureaucratic Department endeavouring to discover the facts with regard to dumping, etc., and to weigh up their significance and tendencies, and armed with a power to impose fluctuating regulations to meet the varying conditions of trade, as an intolerable nuisance. It would eat up a considerable amount of revenue which could ill be spared, and would be pretty sure to make a good deal more than 50 per cent. of mistakes. I am inclined to regard the British " Safeguarding of Industries " Act as a warning.

15889. *Q.* 16. The hand loom industry is still pretty vigorous. The question has, in my opinion, three different aspects: (*a*) In towns like Kumbakonam, Madura, Conjeevaram, etc., there is a skilled weaving industry, producing relatively expensive goods specially appealing to local taste, which is still prosperous. This industry demands encouragement by continual improvement of method and apparatus, and fostering of co-operation. (*b*) There is next the manufacture of cheap coarse cloth, which tends to be gradually superseded

by the improvement of communications and the competition of machine-made cloth; but which persists obstinately in remote districts. Closely associated with this is the question of hand spinning and handloom weaving as a leisure time occupation in districts specially liable to famine, which is capable of being organized as a defence against famine. Hand spinning and weaving from this latter point of view appears to me to deserve encouragement unless some more profitable occupation for the compulsory leisure of the agriculturist can be found to take its place.

15890. *Q.* 17. That there is a general tendency in any country for protection to lead to combination among the protected manufacturers in order to maintain a *quasi*-molopoly price is sufficiently obvious. I think this tendency will be less apparent in India than in most countries because of the peculiar manner in which big business is developed in India. The dominating feature is the managing Agent system, which causes businesses to be grouped together rather on geographical lines (though these are very loose) than on the principles of either vertical or horizontal combination. Thus Messrs. Andrew Yule & Company control a great number of businesses, including many collieries and jute factories. Messrs Bird & Co., also control many jute mills and collieries besides other businesses; and so on. Each of these firms is enormously strong and powerful, but the fact that they have scattered their activities over various fields of industry, and that many of them are to be found in any one particular large field of industry appears to be a very considerable obstacle to the effective establishment of monopoly.

As soon as the drift of monopoly is apparent, in my opinion the right remedy is to insist on the application to that industry of the Rochdale principle of co-operation. For example, assuming it had been found during the war a right and proper thing to establish a protected monopolistic dye-producing business in the United Kingdom, I consider that the dangers and evils of monopoly would best be combated by providing that the capital should be owned by the textile and other firms which purchase the dyes, and the profits, beyond a low maximum interest on capital, divided among the purchasers in proportion to the amounts of their purchases. This would, in my opinion, be the best means of securing effective pressure in the direction of efficient and economical management, and also in preventing the monopolistic exploitation of the community.

15891. *Q.* 18. I am strongly of opinion that British, Scotch, American, Japanese and other foreign industrial firms would, if a much more protective policy than at present exists were adopted establish themselves in India and get an ever increasing share of the industry in their own hands. Nor do I believe that any measures that would be taken to prevent this development would be effective.

15892. *Q.* 19. Yes. Much difficulty.

15893. *Q.* 20. Yes.

15894. *Q.* 21. It is impossible to give any confident answer to this question. If the answer given above to No. 18 be correct, India would gain the advantage of more efficient methods of production introduced by such foreign firms. But in so far as the productive efficiency tends to lower the price, it would be to a considerable extent offset by the instinct of such producers to work in the direction of monopoly.

15895. *Q.* 22. At present Indian opinion seems prepared to give an affirmative answer. I have sufficiently indicated above that I regard Indian opinion as mistaken in this matter.

15896. *Q.* 23. In answer to the second part of the question, it may be said broadly that India produces its necessaries and does not import them. Perhaps the articles of the greatest necessity that India imports are agricultural and other machinery and scientific apparatus; these being necessary to enable the country to support an increase of population. I think Indians generally would approve of these being imported free or at a small duty only, and I certainly consider that free importation is desirable.

15897. *Q.* 24. An increase in the price of articles affected by the protective tariff might be offset by diminution of prices for other articles. The future of real wages will depend upon the operation of more important causes than tariff. It will depend mainly upon whether the average production of commodities per head becomes increased and whether the aptitude for combination becomes developed. The first condition for increased production per head of population is obviously birth control. This being assumed, an effective campaign against devastating and debilitating diseases like plague, cholera, malaria, hookworm, elephantisis, etc., is the second requisite. Vocational education is the third. Increased revenue and wise expenditure is required for attaining the above.

15898. *Q.* 25. I have nothing to add to what has been said above in relation to this.

15899. *Q.* 26. Indian exports are of such a nature that foreign countries are not likely to desire to exclude them. Therefore India has no need of the tariff as a weapon in negotiation. It is surely unnecessary to point out that tariff may be used for revenue, protection or as a counter in bargaining; and that in so far as it is effective for any one of these purposes it is ineffective for the other two.

15900. *Q.* 29. I object to this proposal for the reasons indicated in my answer to No. 15, *supra*.

15901. *Q.* 30. Obviously all the consequences that would flow from the imposition of an export duty should be calculated, and the duty be imposed or not imposed according to its total net results in all directions. An export duty for the purpose of revenue might well be levied on raw cotton; export duties might also be levied on oil cakes, bones and fish manure for the purpose of retaining these manurial substances in the country; and these taxes might be extended to uncrushed oil seeds in proportion to the amount of oil cake in them. In order that the oil only should be exported. These duties should not be so high when first levied as to unduly penalise the producer. We must only exclude these products by degrees from the foreign market in proportion as the domestic market becomes ready to absorb them. Hence in the transition time these duties would yield a revenue.

15902. *Q.* 31. In the case of raw cotton I think a duty can be imposed without seriously diminishing the export trade; and indeed if a fair proportion of the resulting revenue were assigned to Agricultural departments for the purpose of improving the cultivation of cotton, the total production might be greatly increased, and even the volume of export.

15903. *Q.* 33. I consider that a small export duty on food stuffs would be preferable to the existing practice of at times prohibiting and at other times licensing the export of foodstuffs, because it would be substituting an automatic control for a departmental control. But I consider such an export duty as in itself extremely harmful, calculated to diminish the production of foodstuffs and to reduce India's power of importation in case a famine should necessitate it, and tending in the end to make it much more difficult for the population to feed itself adequately.

15904. *Q.* 34. I have an open mind with regard to the advisability of imposing an export duty on raw material in return for an import duty imposed by a foreign country on a manufactured article. I do not know whether this policy is applicable to the case of jute. No other probable instance occurs to me.

B. IMPERIAL PREFERENCE.

15905. *Q.* 35 to 42. I consider that it is premature at this juncture to raise the question of Imperial Preference. Before this question is dealt with it is necessary (1) that India's fiscal autonomy should be fully recognised by Indians themselves, and (2) that India in making its choice should have decided upon a protectionist policy. The fact that the idea of Imperial Preference was mooted in India at the time when Mr. Joseph Chamberlain raised the issue in England made it appear to Indians that a fresh scheme for still more thoroughly subordinating Indian Commercial and manufacturing interests to those of the United Kingdom was on foot.

As sufficiently indicated above I desire for the United Kingdom a return to the Free Trade policy of the pre-war period, combined with an effort to lead other nations in the same direction. In fact I should like to see the League of Nations supplemented by a Free

Trade League which any State might join for the purpose of facilitating free commercial relations with the other Leagued nations.

Assuming however that India definitely embarks on the protectionist policy, it appears to me that common sense and common decency would require that as long as India relies upon the British Navy for protection by sea, India must regard it as an obvious duty to keep in view in its fiscal policy the aim of assisting the maritime trade of the Empire upon which the Navy must depend.

Remaining questions are left unanswered.

Oral evidence, dated Madras, the 3rd February 1922.

15906. *President.*—*Q.* You are the Publicity Officer of the Madras Government.

A. Yes.

15907. *Q.* As far as I understand from your written statement you favour discriminating protective tariffs. What is your opinion as regards the fiscal policy in India?

A. As regards the general fiscal policy my opinion is that the right policy is taxation for revenue and not for protection. At the same time it appears to me that in view of a very strong protectionist feeling in India, there should be no obstacle put in the way by the Empire of India embarking upon a protective policy because until such a protective policy has been tried and found wanting it is scarcely likely that India will make the requisite efforts in other directions to attain commercial prosperity.

15908. *Q.* Even if you thought that a protective policy was economically injurious to the national interests of India, you would still not guide it in favour of free trade principles but let it go wrong and incur the loss and gain experience by incurring that loss. Is that your position?

A. That is my view.

15909. *Q.* That is the sound position which the Government of India should take up?

A. I think it is the right policy for the *British* Government.

15910. *Q.* Can you tell us whether the protective policy adopted by various civilised countries has resulted in such damage to their industries as to make them, in view of the experience gained, go back on their policy? Can you mention any single country?

A. I think that would be rather too wide a field for us to embark upon. I don't think that you can really from an economic point of view lay down a hard and fast line and say that in no circumstances is it impossible for a protective policy. In particular matters and in some details a protective policy may conceivably be used advantageously from the economic point of view. There are always conditions and circumstances under which a protective policy may, for particular commodities and for particular times, be advantageous economically. It cannot truthfully be said that free trade is invariably the better policy.

15911. *Q.* That is why I ask you whether you would advocate a discriminating policy in India, in regard to protection. You don't agree?

A. No. Generally speaking, it is the industries for which, from the national point of view, protection is least desirable that will really get it.

15912. *Q.* I am afraid we are going into speculative theories as to what will happen under different conditions. That is not the point we are at present concerned with. We want you to tell us what you think is really best in the interests of India. Speculative theories are of no value. If you will give us the benefit of your experience and tell us what in your opinion is the best fiscal policy for India, we would be very thankful.

A. In my opinion the best fiscal policy for India is taxation for revenue.

15913. *Q.* And not for protection?

A. No.

15914. *Q.* Do you think that it is in the national interests of India to develop industries?

A. Yes.

15915. *Q.* If it is to the advantage of India, are you satisfied with the development of industries that has taken place up till now?

A. No.

15916. *Q.* Would you advocate a different fiscal policy in order to secure the establishment of industries on a large scale?

A. No.

15917. *Q.* How would you bring it about?

A. Well, I think there are many other ways.

15918. *Q.* Will you please mention some?

A. Fundamentally, educational advance is most necessary.

15919. *Q.* Educational efforts in what direction merely educational efforts or anything else?

A. Well, there is a great deal more but fundamentally the value of anything else is largely educational. Now the great hindrance to India's industrial advance in my mind is the traditional attitude of mind of the educated classes of India. Generally speaking, the intellectual training of the whole of India has been turned to other than practical lines and a gradual change of mind is required in order to alter the direction of Indian intellectual effort. That is one thing and another very fundamental thing is that Indian industries suffer very much from the physical disabilities of Indian labour which is very largely a matter of anæmia producing diseases like hookworm and malaria and the consequence is that actions in the direction of combating hookworm and malaria, etc., is bound to react very powerfully upon the industrial efficiency of Indian labour. It is partly a physical question and partly a mental question. As far as I have seen, we rather tend to exaggerate the inferiority of Indian manual labour. It is not in quality so inferior to European labour as it is commonly made to be out but in the matter of supervision, *i.e.*, the intellectual side, the inferiority is very much more marked. The difference is this. If you have two labourers and one labourer has got 75 per cent. of the strength of the other, he may be worth nearly 75 per cent., of the pay of the other. But if you have two managers one having 75 per cent. of the intellectual ability and trained knowledge of another, he will not be worth 25 per cent. of the pay of the other, probably not 5 per cent. If you put these two men in charge of two businesses, the better man will succeed in making the business go and the worse man will make the business a failure. The 75 per cent. labour is commonly worth a 50 per cent. wage; the 75 per cent. manager is not fit for employment at all. Therefore the inferiority which exists in what I may call the directing ability among Indians is the greatest handicap to Indian industrial advance. These factors in my opinion preponderates and any possible advantage or disadvantage of free trade as against protection is comparatively unimportant and hardly to be taken into account.

15920. *Q.* What would be your remedies for such a state of things, assuming that it exists?

A. The first remedy is the recognition of the evil. Directly the evil is recognised.

15921. *Q.* Assuming that the evil is recognised what remedy would you apply?

A. It is rather outside the scope of this Commission's enquiry.

15922. *Q.* You are drawing attention to the hindrances in the way of industrial development and I ask you whether you could suggest any remedy for removing those hindrances. If you can make suggestions, please give them; otherwise say that you are not prepared to make suggestions, but it is perfectly relevent.

A. A very considerable recasting of the educational system starting with an emphasis in the educational system on practical matters other than the literary side, cutting down Government grants to Arts Colleges and developing other sides of education. A number of things of that sort and also improvement of internal means of communication I would suggest as samples. If you give me time to think it out. . . . . .

15923. *Q.* If you have thought over it, you can tell us. I merely wanted to know your remedy. It would

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have been very interesting to know what your remedy is. However you say that the reversal of the whole educational policy of the Government of India would be a lengthy affair.

A. Yes.

15924. *Q.* It would take a pretty long time.

A. Yes.

15925. *Q.* In the meantime would you allow things, so far as the development of industries is concerned, to go on as in the past?

A. On that point I should like to say that in my opinion there has been of recent years a very considerable quickening in the pace of industrial development and that it is likely to continue.

15926. *Q.* Have you any personal knowledge of that fact?

A. No, only the facts that are common property.

15927. *Q.* Our opinion is that there was a boom in the industrial advancement in consequence of war protection.

A. Yes.

15928. *Q.* And now there is a great slump.

A. In India as in other parts of the world.

15929. *Q.* The stimulus was due to the effects of the war.

A. Yes.

15930. *Q.* And therefore I wanted to know whether you had anything to say in support of the view that you put forward that this development of industries would continue?

A. Well, as far as I can see although there is a very considerable slump in India, it is not proportional to the slump even in America or in Great Britain and therefore I think the signs are in favour of a rapid resumption of progress.

15931. *Q.* That is a matter of opinion.

A. Yes.

15932. *Q.* Then, in your opinion, even under a free trade policy the revenue duty which is now *in existence* is adequate to substantially increase industries in India.

A. Yes.

15933. *Q.* And in support of that view you simply point out what has happened during the last few years of the war.

A. Unless I am mistaken there was a pretty considerable development of industries even before the war.

15934. *Q.* Can you give any statistics in support of that?

A. Not at the present moment.

15935. *Q.* We will be very thankful if you could give statistical information in support of the view that there was a very substantial development of industries before the war.

A. Yes.

15936. *Q.* From your answer to question 18 do I understand you to say that you would recommend measures be taken to present the establishment of foreign firms in India but that at the same time you are of opinion that even if these measures were taken, they would not be effective?

A. Well, I am not an Indian. I am only a temporary resident in India and it seems to me that the question as to what policy should be adopted in that emergency is entirely one for Indians to consider.

15937. *Q.* My point is: this is an Indian Fiscal Commission and you have come before us to give us the benefit of your views and you have made a statement in your written replies. I am asking you a question which arises out of your replies. I am not asking anything which is not there already. Therefore I want you to tell us what you mean that foreign firm " will get an ever increasing share of the industry in their own hands." This is a positive statement to make and accepting that positive statement you go on to state " nor do I believe that any measures that would be taken to prevent this development would be effective." Would you advocate the taking of measures to prevent this state of things happening?

A. As a non-Indian I should very much regret such measures being taken but I think that public opinion in India would probably desire that some measures should be taken.

15938. *Q.* You then think that if these measures are taken, they would be ineffective?

A. Take this case. I saw in a newspaper a little while ago that Messrs. Cammell Laird and Coy. are embarking upon iron and steel production in India. Whether that is a correct statement or not I do not know. Supposing that statement to be correct I do not know whether they embarked upon that policy anticipating that the result of this Commission would be special protective duties for iron and steel but in any case such special protective duties of that character would naturally be an additional argument for that. Further I do not think, that Lancashire would sit quiet under the loss of the Indian market, which might follow from special protection on cotton industry. I think that Lancashire firms would probably combine and establish mills in India. Well, then, if you have British firms embarking upon strong competition with the Tata Iron and Steel Co., and Lancashire firms embarking upon strong competition with Bombay mills, I think there is no doubt in those circumstances—my evidence is only with regard to probable circumstances—that there will be a strong Indian feeling in favour of some measures or other being taken to make things difficult for those non-Indian firms settling in India. I think that such measures would in various ways, international and so on, have very undesirable consequences and as a citizen of the world I should regret any such movement, but I think that it is probable that Indian opinion would demand such measures. At the same time I think that the forces of modern capitalism are so strong that the probability would be that whatever measures were passed would be evaded somehow or other. Exactly how I have not worked out. I have neither worked out in my mind any forecast of the measures which would really be adopted nor the manner in which they would be evaded. I feel pretty sure that there would be such a demand for some measures and also that there would be a considerable power behind those who were endeavouring to checkmate such measures.

15939. *Q.* I have given you an opportunity to express your views fully but the answer to the question which I asked still remains indefinite. You have indicated what you think is likely to happen if certain contingencies occur but if those contingencies occur I asked you whether you would in view of what you have stated recommend the taking of any preventive measures. You said 'no' because it would not be desirable in the interests of India. Is that your view?

A. Yes, that is my view. On the whole it would do India more harm than good to take such measures.

15940. *Q.* While you are here, will you please give your evidence on purely economic grounds and not on racial grounds. I don't like to hear that the non-Indian view would be this or that.

A. I try to do so.

15941. *Sir Maneckjee Dadabhoy.*—*Q.* Dr. Slater, when I read your statement, I formed an impression as you very correctly put it, that you are neither for unadulterated free trade nor for out and out protection. But from your answers to the President's questions it appears that you are an out and out free trader and that you have got a strong predilection in favour of free trade.

A. In answer to the Chairman I said that I was not prepared to say that, from an economic point of view, in all circumstances and for all sorts of trade protection was a mistake. There may be circumstances in which protective duties may be helpful from an economic point of view.

15942. *Q.* Let me put a proposition to you. You say in reply to Question 11 " I would concede no more than was necessary to Indian protectionist sentiment." We will take that as the basis for my question. You state that to a certain extent you would go in for a policy of protection?

A. Yes.

15943. *Q.* If your conscience told you, Dr. Slater, that a particular Indian industry was suffering in competition with foreign capital and that by some sort of reasonable protection for a definite period that industry would be put on its legs, would you deny that help to it?

A. It would depend upon what, in my opinion, is the value of that particular industry to India.

15944. *Q.* Indian sentiment would not ask for the support of an industry unless that industry was of some value to India?

A. No.

15945. *Q.* Assuming that the industry had a value to the country, in the circumstances I had placed before you, would you support it or not?

A. The question is not only whether the particular industry would have a value to India but it is a question of the relative amount of its value. If you are going to protect an industry by means of a tariff, that practically means taxing the community.

15946. *Q.* I understand that when some classes of people, whether as statesmen or as legislators, ask for a particular tariff on a particular industry, they would carefully consider the necessity of that course. If a case has been made out, would you still deny to that industry this aid?

A. No, I would say I should require to be satisfied with regard to certain things.

15947. *Q.* You would require to be satisfied with what?

A. I should like to be satisfied (1) that it was an industry which was of important value to India and (2) that in order to be safeguarded it needed Government help and protection and (3) that Government help and protection could best be given by means of tariff protection and (4) that that tariff protection was not in some other way going to do more harm than good. If satisfied on all those points I should be prepared to advocate tariff protection.

15948. *Q.* Dr. Slater, as an economist of considerable reputation, you surely know by this time that every tariff, in whatever form it is imposed, does harm the consumer to a certain extent.

A. Yes.

15949. *Q.* Why do you clog that as a condition?

A. You mean it is implied in the question? As long as it is understood that it is implied, I am content.

15950. *Q.* You say that every tariff does harm in some direction or another to the consumer?

A. Yes.

15951. *Q.* That is an acknowledged principle?

A. Oh, yes.

15952. *Q.* Provided justifiable claims are made out on behalf of any industry, I understand that you would protect it?

A. Yes.

15953. *Q.* And to that extent you would recede from a policy of free trade?

A. I think I said that before. I do not think I have deviated from what I said before.

15954. *Q.* There is another point on which I propose to quarrel with you a little. In your answer to question No. 6, you say: "I approve in theory of imposing an excise duty on an article which is taxed on importation." Will you please tell me of any other country in the world that has done this?

A. That is a regular rule in England.

15955. *Q.* Will you quote any article?

A. Wines and spirits. Whenever we put on an import duty we put an excise duty on the corresponding article.

15956. *Q.* I am not talking of purely excise duties. Every country I know goes in for excise duties. We have in India too excise duties on alcohol, drugs, tobacco, etc. My knowledge of economy is very limited, but so far as I know, I do not remember that it has been laid down by economists that where an import duty is fixed it ought to be accompanied by an excise duty. You go much further than the economists of the world in laying down that in India it should be done.

A. This is the orthodox free trade doctrine, and it is fairly familiar: if on the principle of taxing for revenue only you choose to tax a certain article which may be an imported article,—if you chose to put a tax on that, then there should be an excise tax also upon the same article or upon a similar article of home manufacture which may compete with it.

15957. *Q.* That is to neutralise the effect of an import duty?

A. Yes.

15958. *Q.* There you come to your free trade policy?

A. Yes.

15959. *Q.* Speaking about the incidence, this is what you state in paragraph 8:—"I believe further that it is practically certain that the greater part of the incidence of an import duty not accompanied by an excise duty would fall on the consumer and that therefore he would also have to pay an increased price for the Indian product." You will admit that if there is no excise duty the home manufacturer will profit by it?

A. I think the home manufacturer or any other manufacturer tries to sell the whole of his output for the maximum price he can get.

15960. *Q.* If the excise duty is removed the consumer will get the article cheaper?

A. He might get it a little cheaper, but as a rule the major part of the advantage is taken by the manufacturer.

15961. *Q.* Take for instance our cotton goods. We have got at present a 11 per cent. import duty and a 3½ per cent. excise duty. If this 3½ per cent. excise duty is removed, you won't say that the manufacturer will put all the money into his pocket?

A. The consumer may have a slight reduction, but I think most of the profits will go into the hands of the manufacturer, because I have never known a manufacturer who, if he could sell the whole of his output at a high price, would not do so rather than sell it at a low price. If a manufacturer reduces his price it is ordinarily because he cannot sell his whole output at the higher price. That is ordinary business. Now, if you take the excise off, if the Indian mills should find in practice that they could sell the whole of their output without reducing their prices, then they will pocket the whole of the benefit. If they find that they cannot sell, then they will reduce their prices. But I do not think that they will be unable to sell except at a reduced price?

15962. *Q.* But the consumer must have some benefit?

A. He may get a small part of the benefit, but I do not think he will get very much.

15963. *Q.* Why do you advocate an export duty on raw cotton?

A. To get some revenue which could be earmarked or utilised in part for the improvement of cotton cultivation.

15964. *Q.* You know that while we produce something like 52 lakhs of bales, we are only consuming 18 lakhs of bales. Therefore if you put on an export duty and prevent the free export of this surplus, the agriculturist will not get a fair profit for his produce.

A. I do not think the injury to the agriculturist would be as great as the benefit he would derive by the proceeds of the tax being used as I suggest.

15965. *Q.* If that money is found from somebody else's pocket, you won't object?

A. The tax is purely for revenue, and the revenue should be earmarked for a definite object. But you will recognise that some of the cloth that gets into competition with Indian manufactured cloth is manufactured out of Indian cotton. So, the export duty is really a concession to the protectionists.

15966. *Q.* How will this export duty give protection to the Indian manufacturer?

A. More than half of the Indian exported cotton goes to Japan. To a certain extent that Indian-grown cotton comes back to India in the form of Japanese cloth and directly competes, and competes much more directly than Lancashire cloths, with the Indian production. Now, if you tax that trade at any point, you are putting difficulties in its way and you are giving some protection to the Indian cotton manufacturer.

15967. *Q.* Indirect protection you mean? But Japan might get cotton from somewhere else?

A. Not very much. I very much doubt whether Japan has any spare land for the purpose of growing cotton.

15968. *Mr. Jamnadas Dwarkadas.*—*Q.* Dr. Slater, it is clear from your evidence that you are a free trader?

A. Yes.

15969. *Q.* Now, you will admit that India is industrially a backward country?

A. Yes.

15970. *Q.* Far from there being any over-industrialisation in India, you will admit that there is a condition of under-industrialisation in India?

A. Yes.

15971. *Q.* The result of this is that in times of famine or scarcity the staying power of the masses who depend largely on agriculture is practically *nil*.

A. That, I think, is mainly the consequence of other causes. I think the main cause of that is the enormously high birth rate.

15972. *Q.* Let us not go into that question. India depends at present mainly on agriculture.

A. Yes.

15973. *Q.* That is one of the causes, if not the principal cause, why the staying power of the people is practically *nil* in times of famine and scarcity?

A. I will admit it is one of the causes, but I will not admit that it is relatively important as compared with other causes.

15974. *Q.* You will also admit that if this dependence was divided between industry and agriculture the staying power of the people would be much better?

A. Would be better: I won't say how much.

15975. *Q.* You will advocate the industrial growth of India?

A. Yes.

15976. *Q.* Now, you admit that India is industrially in a backward state compared to other nations which have grown industrially?

A. Yes.

15977. *Q.* Now, at some time or other in the past, all other countries were industrially backward. Take for instance, the United States. It was industrially backward, was it not?

A. Yes.

15978. *Q.* And one of the stages through which England has passed and as a result of which the United Kingdom is an industrially advanced country to-day is a stage of protection. Is it or is it not so?

A. That is true.

15979. *Q.* And that can be said with regard to all the countries that have industrially advanced.

A. I would not say that without having time to think over whether there are exceptions. Assuming for the present that the answer is in the affirmative, let us go on.

15980. *Q.* Does it not follow from that that if India is to advance industrially there must also be a stage of protection for India?

A. I do not think so at all. The fact that a country has passed through a stage of protection does not prove that the passing through of that stage would conduce to its industrial advancement. It might be that the protectionist policy was the consequence and not the cause of the development of industries.

15981. *Q.* That may be so, but the fact remains that other countries are industrially advanced to day and that they have passed through a stage of protection.

A. I am not sure that Belgium ever went through a protectionist stage. So far as I know there has never been more than a very mild protection at most in Belgium.

The President: It is only a difference of degree.

15982. *Mr. Jamnadas Dwarkadas.*—*Q.* Take America, Germany.

A. I doubt with regard to Belgium, whether Belgium ever adopted a system of protection. Nobody so far as I know has ever claimed that a system of protection helped Belgium industrially but Belgium before the war was industrially one of the most advanced countries you could find.

15983. *Q.* Take the United States and Germany.

A. With regard to the United Kingdom everybody knows that it had a protective system with regard to industries up to about the year 1822 or even up to 1843. With regard to the United States again everybody knows that it still has a protectionist policy. Germany had from 1879 onwards a protectionist policy.

15984. *Q.* Now, from that would not one be justified in inferring that if other countries which are in an advanced stage industrially passed through a stage of protection it is necessary that India too should pass through a stage of protection?

A. I do not think it follows at all. I do not see the connection. Unless you can analyse it out and work out the causal connection between the two it does not follow.

15985. *Q.* There are other nations which are industrially far ahead of India?

A. It is so.

15986. *Q.* And if a policy of free trade is forced on India, it means that India can never come up to their level?

A. I am in no way for forcing a policy of free trade upon India. My attitude is that India must choose its own. I believe in fiscal independence for India.

15987. *Q.* But you would advise India to prefer free trade to protection?

A. Yes.

15988. *Q.* When I said "if a policy of free trade is forced on India" I did not mean you wanted to force India. You admit that India is a backward country industrially. Then, how is it possible to secure an industrial growth in India without a policy of protection?

A. I think I have indicated that in my evidence. I think there are other means by which the industrial growth can be fostered. And further I think that the importance either of free trade or of protection has been vastly exaggerated by both free traders and protectionists. In India's present condition, I think the fundamental difficulty,—a thing which is of greater importance to India than the advantages of free trade or protection,—is the financial weakness of Government in India, and for this reason I think it is more to India's interest to be guided by financial consideration with regard to these duties than by other considerations. I think revenue should be the first consideration.

15989. *Q.* Don't you think that the fiscal policy of the Government of India in the past has been responsible for the present financial weakness of the Government?

A. What is fundamentally responsible for the financial weakness of India is, I think, the permanent settlement.

15990. *Q.* You know that Mr. Gokhale has said,—I do not know whether you agree with him—that the fiscal policy of the Government of India is the darkest spot in the administration of India.

A. I do not remember seeing it.

15991. *Q.* But I can assure you that it is so. But apart from that, taking the 3½ per cent. countervailing excise duty, does it not mean, as Mrs. Besant called it protection upside down, or indirectly a protection to the Lancashire industry?

A. I do not think it is a protection to the Lancashire industry. If you tax one producer and not the other you are protecting the one that you do not tax, but if you tax Indian and Lancashire mills equally I do not see how that can be called protection at all, except to the Indian handloom weaver who is not taxed. The import duty and the excise duty put together involves protection to the handloom weaver.

15992. *Q.* Do you accept the theory of protection to nascent industries? When an industry is in a nascent condition it has to be protected. You accept that theory?

A. Not necessarily.

15993. *Q.* You say when you tax 2 producers equally it means no protection to either. What was the state of the cotton industry in Lancashire and what was the state of the cotton industry in India, when this import duty and the countervailing excise duty was levied? Were they equal?

A. Equal in what respect? Equal in the scale of manufacture?

15994. *Q.* The cotton industry in Lancashire had existed for a long time, but it was absolutely new in Bombay. Could you by any means say that they were on an equal level?

15995. *President.*—May I point out that the position was this. The British Parliament determined that India shall be a free trade country. Now, under free trade principles if we impose an import duty of 3½ per cent. on Lancashire goods there must be a countervailing duty on Indian home products.

15996. *Mr. Jamnadas Dwarkadas.*—*Q.* My argument is that Parliament was guided by Lancashire's interests and India's interests were subordinated.

A. I will just explain my opinion with regard to that. I regard the duty on cotton manufacture as wrong. Although it was in consonance with free trade principles, and free trade principles were adopted in England on their merits and were believed in England to be advantageous to India, I think it could never have been maintained but for political pressure from Lancashire manufacturers. Therefore, I have always regarded the countervailing excise duty as wrong. It was subordinating what India believed to be the Indian interest for a foreign interest, and therefore it ought not to have been imposed. But if you ask a question purely from the economic point of view then I say that the two duties together operated as a protective duty for the handloom weaver. Personally, I regard handloom weaving as having sociological as distinguished from economic advan-

tages, and I should not disapprove of protection for the handloom weaver. And, again, if you speak about nascent industries I should say that it is quite true that Lancashire and Bombay were in no one respect on the same or equal footing, but that while Lancashire had many advantages Bombay also had many advantages, and the mere fact that Bombay had what you call a nascent industry is not altogether a disadvantage. When you start new factories you start with the newest machinery, and in many respects it is possible that the nascent industry idea is frequently misleading, because it is possible for an industry under certain circumstances as it were, to be born full grown. If you take Hamsworth's paper manufacture in Newfoundland you will find that when it started it was one of the biggest and best equipped of all paper manufactures in the world. There you had a nascent industry starting full grown in a new country without requiring any help from a protective tariff. If Newfoundland had had a protective tariff on paper, it would have made no difference to the industry, as the whole of the product was being sold in the outside market.

15997. *Mr. Mant.*—*Q.* I gather that your position is that you think that free trade would be the best thing for India, but you think that with fiscal independence India will turn away from free trade?

A. Yes.

15998. *Q.* And she will learn wisdom from bitter experience of protection?

A. Well, with regard to that I must point out what I said before. I think that the relative merits of free trade and protection have been vastly exaggerated, and their effect may be so merged with the effects of other causes that it is quite unrecognisable.

15999. *Q.* Do you think that it would be a false step?

A. I think it will probably be found a false step.

16000. *Q.* I must ask you whether you, as a friend of India, or this committee, ought to stand aside in a fatalistic spirit that this has got to happen and let it happen. Is it not our duty to point out the risks that India may be running if she takes this false step?

A. Yes.

16001. *Q.* At any rate it is the purpose for which this Committee has been appointed. It is for that reason that I ask you to indicate the dangers that you think would arise from this protection.

A. Well, to a certain extent I have indicated that in the evidence. In the first place, I think that protection is almost certain to be dictated rather by political considerations than by scientific examination of the real needs of the country. I think, therefore, that the powerful industries, industries which do not require protection and which ought not to be protected are likely to get protection. Further the effect of protection to the cotton and iron industries for instance would be to bring in the foreign manufacturer and to introduce the element of racial discord. Further, the mere admission that the policy of a country is to be protectionist necessarily involves that the prosperity of a particular industry is dependent upon the amount of political pressure it can put upon the authorities, and that pressure is likely to take very undesirable forms. Therefore, if you are going to have a protectionist policy, it is highly desirable that it should be controlled and administered by a sort of Government which existed in Germany before the war or by the sort of Government which existed in England in the reign of Queen Elizabeth. That is, a bureaucratic government is more likely to administer protection of the advantage of the country than any form of representative government. I think those two things, representative government and protection go very badly together.

16002. *Q.* Your objection then is more political and administrative than economic?

A. Yes.

16003. *Q.* Am I correct in inferring from your answer to question 5, that you anticipate that industry will progress in India in future whether she has free trade or protection?

A. Yes.

16004. *Q.* In para. 15, you speak of the Safeguarding of Industries Act as a warning. Do you refer to it on theoretical grounds or from the consequences already ensued?

A. I am not really qualified to express an opinion, because I have not been able to find time or the opportunity of getting the evidence. But I have the impression from what I have seen that it has been a very awkward sort of business and that it has been bad. So far as I can see that seems to be the prevailing opinion in commercial circles. But I have not been in sufficiently close touch with the English commercial circles to get any very definite information.

16005. *Q.* In para. 30 you suggest that export duties might be levied on oil cakes, bones and fish manure for the purpose of retaining these manurial substances. In the case of bones, is it not a fact that a large number of bones are left to rot?

A. Yes, no doubt. That is a sufficient argument against the *prohibition* of export. There is, however, I believe a continually expanding use of bones and my opinion is that a duty on export would stimulate the internal demand. It would gradually develop a market in India.

16006. *Q.* As regards a duty on food grains (para. 33) you consider that a small export duty on food stuffs would be preferable to the existing practice of at times prohibiting and at other times licensing the export of food stuffs, because it would be substituting an automatic control for a departmental control. A very small duty would hardly have the effect of control, is it not?

A. I regard any duty on the export of food grains as being very bad indeed, as tending to reduce production.

16007. *Q.* You perhaps except small duty for revenue purposes?

A. No. But if limited to the alternative, I would sooner have a small duty than the haphazard interference of the administration.

16008. *Q.* Take for instance a small duty on the export of rice. Do you see any very great harm in that?

A. I consider that even a small duty on export of food grains is harmful.

16009. *Mr. Birla.*—*Q.* In para. 18 you say that you are of opinion that English, Scotch, American, Japanese and other foreign industrial firms would, if a much more protective policy than at present exists were adopted, establish themselves in India and get an ever increasing share of the industry into their own hands. Now I should like to know from you whether it would be for the good or bad of India if such firms did establish themselves in India.

A. Well, there will be both advantages and disadvantages.

16010. *Q.* I should like to know the advantages and disadvantages.

A. As to advantages, it would provide employment for labourers and it would also increase the production of commodities. As regards the disadvantages, you will get those social difficulties discussed by Sir Sydney Oliver in his book "White Capital and Coloured Labour."

16011. *Q.* It has been suggested to us by some witnesses that when protection is adopted it is the consumers who pay high prices and if a consumer of one country pays high prices naturally he would expect that the benefit of it should be derived by his own countrymen and not by the foreigners.

A. Yes.

16012. *Q.* I want to know from an economic point of view whether it would be a sound policy or not if foreigners established themselves here under protection.

A. Well take for instance, the reputed establishment by Cammell Laird & Coy. of iron and steel works. Naturally that will tend to reduction of prices. On the other hand if you have high protection and you do not want to have foreigners, the native firms acquire a monopoly and the protection conduces to the advancement of prices.

16013. *Q.* You mean then that on account of competition between the foreigners and native firms India as a whole would derive benefit.

A. Yes. But whether the benefit is worth having is a different question.. We are bound to have other economic consequences also, but whether they are good or bad depends upon the net result of all the consequences.

16014. *Q.* I want to know your views in regard to the excise duty on salt.

A. Well, the excise duty on salt is apparently a necessity from the existing state of the Indian finance.

16015. *Q.* Salt itself is a necessity of life to the poor people of this country. Would it not be a hardship to the poor if an excise duty on salt is retained?

A. Perhaps.

16016. *Q.* Then, would it be a sound policy to approve of an excise duty on salt in these circumstances?

A. I am not quite sure to what extent the existing consumption of salt is physiologically useful. That is a question on which I am not competent to give an opinion. But until I know that, I cannot be in a position to form an opinion whether the consumers of the country are injured by having to pay a small duty on salt.

16017. *Mr. T. V. Seshagiri Ayyar.*—*Q.* I believe you are a student of the ancient history of this country.

A. No. I am afraid I know very little about it.

16018. *Q.* You know that a long time ago this country was able to produce cotton cloths with which it was able to clothe the millions of people in this country.

A. Yes.

16019. *Q.* It is this free trade policy that has killed the cotton industry in this country.

A. I am not satisfied with the statement that the cotton industry has been killed. If it had been killed it should be dead now. There is still life in it.

16020. *Q.* Probably there is some lingering life.

A. I do not think that the life is lingering. I think it is advancing and progressing.

16021. *Q.* You must be extremely optimistic if you believe that the cotton industry in this country is in a flourishing condition.

A. My opinion is.—I may be wrong.—that the total amount of production of cotton cloth that is going on at present is considerably greater than it was six years ago, and still greater than what it was twenty years ago.

16022. *Q.* During the last ten years they had some stimulus by national sentiment. But we were able to clothe our people entirely in olden days whereas we have now to depend upon foreign cloth.

A. I am not sure how much cloth people wore in olden days. It is quite possible that if only the same amount of cloth per head were worn now as was worn in the days to which you refer the present Indian production would suffice.

16023. *Q.* But an increased demand for cloths should stimulate him to produce more.

A. I am inclined to think that protective duties might have been used to the advantage of India when machine-made cloth first began to come into the country.

16024. *Q.* What reason have you for holding that view?

A. It was a handicraft industry which might have been helped during the period of transition. I think duties on imported cotton would certainly stimulate the cotton manufacturers in this country.

16025. *Q.* And it would give employment to our men?

A. Yes.

16026. *Q.* That means that they would be able to withstand famines much better than they can at present.

A. It does not follow. Because the protective duty practically is taxing the agriculturist for the benefit of the cotton manufacturer.

16027. *Q.* How much do you think the agriculturist suffers? Not much, I beileve.

A. Possibly not much, but if we rob Peter to pay Paul the injury to Peter is proportional to the benefit of Paul.

16028. *Q.* Do you think that anything has been done in the past to develop the industry of this country?

A. Yes.

16029. *Q.* What has been done in the past has certainly not developed industry at any rate in Madras. The policy the Government of India has been pursuing has not had the effect of stimulating industry in this presidency.

A. No.

16030. *Q.* Would you give us an opportunity of trying some other policy?

A. There have been some features in the administration of Madras which assisted the development of industries, but this policy was stopped and only recently again permitted.

16031. *Mr. Coyajee.*—*Q.* In regard to a permanent organisation for studying tariff questions, don't you think that a permanent organisation is required to effect a continuous study of the conditions and the effects of any Indian tariffs?

A. I have no objection to a permanent organisation for studying the effects and reporting on them.

16032. *Q.* In para. 30 you say that an export duty might be levied on oil cakes, bones, and fish manure. It has been suggested that such action would throw back valuable material on the Indian markets which has admittedly neither the expert knowledge nor the capital to use it. It is said that the Indian farmer in the first place does not know whether his particular land requires such manures and that in any case he has not the capital to buy them.

A. If these commodities do not find a market in India they can be exported and the export duty will bring in revenue.

16033. *Q.* It has very often been asserted that protection by developing new industries diminishes the precariousness of agricultural production. Is there any element of truth in this?

A. At present on account of the irregularity of rains the agricultural industry is precarious, and it is claimed that protection by bringing new manufacturing industries will remedy that precariousness. But, I don't think it can do very much. In the first place, you have to consider the question as to what proportion of the population are going to transfer themselves from agriculture to industries. A 5 per cent. increase in cotton manufacture would only mean the absorption of some 10,000 additional hands, which is a small matter compared with the agricultural population. Then there is another element, and it is this. When you have a bad monsoon and when agriculture is depressed the manufacture will also be affected at the same time. I think the great cure is to increase the agricultural production and have a surplus of agricultural products in normal times.

16034. *Sir Montagu Webb.*—*Q.* I understand that you are an orthodox free trader and I take it that you regard it as axiomatic that free exchange facilities lead to the greatest collection of surpluses and to the greatest saving of capital with the minimum of efforts.

A. Yes, generally.

16035. *Q.* You also recognise that any departure from that involves some cost.

A. Yes.

16036. *Q.* The problem we have to consider is whether there are any departures that can be made from that free trade doctrine in the case of India and whether they are worth the cost. I should like to know from you whether you recognise the value of an infant industry in the sense that we have raw materials existing in the country and the labour is there as also the market. All that is wanted is the knowledge to work them and the concentration of necessary capital. Do you think that infant industries of that kind are worth paying for?

A. I should think that each particular industry should be examined on its merits.

16037. *Q.* The hypotheses I put before you are, raw materials are here in abundance: the market for the manufactured articles is here: and labour also is available. All that is required is experience and the concentration of capital. Do you think that infant industries of that kind would be worth examination and cultivating?

A. Yes, worth examining.

16038. *Q.* Do you think that the cultivation of industries required for national defence is worth paying for, such as iron, steel and copper?

A. You come to a very difficult political question.

16039. *Q.* Is it political?

A. I think it depends entirely upon whether the world is going in for warfare in the future. If we are going to lease international relations on the principles underlying the League of Nations, the sooner we drop the idea of protecting industries from the point of view of national defence the better.

16040. *Q.* Supposing we are not likely to realise that?

A. Then civilization will be destroyed, and the only industry I should care to develop is the making of lethal chambers, where we may commit suicide without pain.

16041. *Q.* Do you think that industries for national defence are worth paying for?

A. It depends on the price.

16042. *Q.* As to the question of training up the people, I think that a great development of industries goes a long way to expand what we believe to be a steadier, saner and broader political outlook of the people. Do you think there is anything in that? Do you think that it is worth paying?

A. Up to a certain point, yes.

16043. *Q.* You think it is worth paying for to create industries in order to train the people up.

A. Yes, it may be.

16044. *Q.* It has been suggested to us that where agriculture flourishes the surpluses are distributed all over the country and are not readily available for the development of enterprise, where as in the case of industries concentrated in one locality the savings are in the hands of a few and are readily available for further developments of all kinds. Is that advantage in itself worth paying for?

A. To a certain point, yes.

16045. *Q.* Well, I take it that, a strict free trader as you are, you recognise that there are some directions in which it might be worth paying for to bring about results which may be of national good?

A. Yes. I am not so strict a free trader as to deny that.

16046. *Q.* Perhaps you are a "discriminator." I don't know whether you would feel complimented by that. But there are four or five points in which I think you do recognise there is some ground for discrimination.

A. Yes.

16047. *Q.* Those points probably from the foundation of the deviation which can logically be made from a strict policy of free trade.

A. Yes.

16048. *Q.* Several references have been made to the possibility of foreigners coming here and starting up industries. I have been rather surprised to hear it generally assumed that the foreigner comes here, sits down on a little detached block by himself and accumulates all the profits to himself. I have heard personally of many manufacturers who contemplate coming to India because of the prospect of a possible protectionist policy.

16049. *Q.* Those manufacturers contemplate sharing fully with the Indian capitalists the advantages that will result. The policy, I think, contemplated by those manufacturers is to introduce Indian partners, Indian capitalists, and to work fully and squarely for the industrial development of this country. I think they recognise that by the aid of a tariff you are giving the industrialists an advantage at the expense of the whole community. But they are perfectly prepared to share that advantage frankly, fairly and completely with the Indians themselves. In these circumstances, do you think that here would be any disadvantages at all of such an outcome in India?

A. I think there would be a very strong demand for measures to be taken to keep such people out.

16050. *Q.* Provided that they were not developing on purely exclusive lines?

A. I think they would be suspected and accused of developing on exclusive lines even if they were not actually so doing.

16051. *Q.* In answer to Mr. Birla you gave the advantages of foreign capitalists developing industries in India, and you also gave some disadvantages. I would ask you that if the development is engineered in co-operation with and by the assistance of Indian capital and Indian industrialists, surely the advantages must outweigh any possible disadvantages?

A. I think you are getting to a fundamental question there, and a very difficult question too. I think there is a good deal to be said for what I may call the *Gandhi* attitude, that on the whole it would have been better for India to have developed industries on ancient Indian lines. A few people are busy with the idea of taking up primitive Indian methods and improving them on the same lines, aiming at making how the improvements which Indian industries might have developed long ago if the Indian intellect had not been diverted to more mechanical lines. The question of the relative advantages of bringing in the whole western industrialism and planting it in India, whether it is controlled by Indians or non-Indians, as compared with a slower development of the native culture is too big a question for me to express an opinion one way or the other.

16052. *Q.* Can I put my question this way? Assuming that industrial development on western lines is coming, it would be more advantageous to the country, I take it, that it should come in co-operation with and by the assistance of Indian capital and Indian leadership rather than purely by foreigners.

A. Quite so.

16053. *Mr. Narottam Morarjee.*—*Q.* Dr. Slater, you state that India controls her own fiscal policy. Why do you think so?

A. I think that is a new factor in the situation. I take it that whatever is done as a result of this Commission, the decision will rest with India and not lie outside India. I refer to the present and future and not to the past.

16054. *Q.* You say that there has been a rapid industrial development in India. Can you tell me whether you are talking about Madras in particular or of India in general?

A. India in general.

16055. *Q.* Is there any very rapid industrial development in Madras?

A. Not very rapid.

16056. *Q.* What is the difficulty here?

A. Chiefly because the activities of the people are turned in other directions. I think one of the chief reasons is that every body who has got money to invest can get at least 12 per cent. on good security by non-industrial loans. Therefore there is no real inducement for him to risk his money in industrial enterprise.

16057. *Q.* You say that if the import duty on piece-goods was increased Manchester would be inclined to come to India and erect factories. You know that Manchester supplies the finer kinds of cloth. Can they spin or weave the finer counts in India?

A. No. If they come to India they would probably produce the same sort of goods that Bombay at present produces.

16058. *Q.* Even now India has to depend much on Japan for the coarser cloth. Coming to agricultural products, when there is a surplus does not the surplus go outside the country?

A. Yes, to a certain extent.

16059. *Q.* If it is to a certain extent, then why did Government control the export of food-grains?

A. Because, I take it, there was something to be exported.

16060. *Q.* When there is no surplus, will you not recommend that there should be prohibition or control?

A. With a higher purchasing power in India, I think the necessary quantity of the produce would be automatically retained in the country. In the very peculiar circumstances of the time at the close of the war I was one of the first to advocate prohibition of export. But now that we have come down to more normal conditions, it is better for importation and exportation to be regulated by the demand.

16061. *Q.* You are aware that in India many people get hardly one meal a day?

A. I have asked people about that. I have been told that they only get one meal a day which they count as a meal, but eat also at other times.

16062. *Q.* How long have you been in Madras?

A. 6 years.

16063. *Q.* Have you had experience of other provinces?

A. Not much, but I have been in most parts of India.

Witness No. 107.

Mr. M. R. Ry. B. VENKATASUBBAYYA CHETTY GARU, Honorary Joint Secretary of the Madras Piecegoods Merchants' Association (Incptd.), No. 125, Varadamuthiappan G.T., Madras.

Written statement, dated the 30th January 1922.

A.—GENERAL.

16064. *Q.* 1. I favour a policy of protection as long as India remains dependant upon other countries for the manufactures required for use in the country and until fresh industries are being started and established in the land, and sufficient number of mills are started and fully equipped and they reap reasonable profits and they could withstand any foreign competition either in quality or in cheapness of the articles manufactured in the country.

16065. *Q.* 2. Yes. I prefer an increase in the customs duties to an increase in direct taxation. The income-tax, super-tax, profession-tax, house-tax, etc., have already reached their climax. The trader and the house-owner have already been over-saddled with increase in direct taxation. I know that India pays less when the average per head of the taxes imposed in other countries is taken into consideration. And yet, the economic condition of India is so very different that it cannot be compared with other countries. There are no banking facilities enough to advance and pioneer industries in India. No sufficient capital. Interest is not cheap. Labour untrained. With all these drawbacks the trader or the industrialist shall have to bear all the direct taxation. I fear that any increase in direct taxation will considerably chill the already poor spirit of enterprise of the Indian traders. At the same time, I know that increase in customs duties will tend to a rise in prices of articles of use and seriously affect the poorer class. But generally it shall not be a matter of any consideration as, by protective tariff, the industries in India will flourish and masses shall not have the necessity to go in for any imported article when there exists a means to procure a similar article in the country. It will naturally affect the rich who purchase foreign articles either for their superior quality or fineness. If so necessitated the articles generally purchased by the poorer class may be classified separately.

16066. *Q.* 3. Yes. I would suggest that almost all the articles without exception should be taxed. For example cotton, twist and yarn which has been admitted free to the detriment of the Indian spinning mills must be taken into consideration.

16067. *Q.* 4. As the present tariff is based on principle of obtaining revenue I would suggest that the tariff should take in the principle of protection both for diminishing the foreign imports of manufactured goods and for fostering the Indian industries; and to assist the growth and development of manufactures, the country is in need of.

16068. *Q.* 5. In the past it did not give room for the growth and development of Indian manufactures. The recent increase in import duties, I believe, has given impetus to the recent adventures of starting new mills in the country such as spinning and weaving mills, sugar factories, paper mills, etc. If the policy of protection is adopted it will be sure to push the Indian manufactures to meet the country's demand.

16069. *Q.* 6. I cannot approve of the suggestion of imposition of excise duties on Indian manufactures as it will kill the growth of Indian industries in their present stage of infancy and the idea of protection will be frustrated by taking such a step.

16070. *Q.* 7. Please see No. 6.

16071. *Q.* 8. Yes. The consumer, if he pays a higher rate for a protected foreign article, he pays less for the similar one manufactured in the country and his purse will not be affected. If at all there will be any rise in prices, the consumer will be able to meet the extra cost as his position will be bettered by the growth of industries in the country and he will pay most ungrudgingly.

16072. *Q.* 9. Yes. The tariff should be framed primarily with the object of fostering Indian industries as it will be for the general good of the country. India being preponderatingly an agricultural country it can best employ its raw materials for its manufactures and can thereby save the export and import charges, duties, war, marine, fire, etc., insurance charges, freight, gains and such other charges, to be borne by her while importing the manufactured articles especially prepared out of the raw materials exported by her. She can employ her artisans and millions of labourers, educate her children in industries, train herself in arts, provide work for the unemployed, beneficially utilise her capital to enrich her position. In a few years she will be able with her plenty of raw materials produced in the country, in addition to her becoming able to supply her needs, to compete with foreign countries in finding markets for her manufactures and shall become an "Industrial India" than the present "Agricultural India" and regain her past boom and lost name and fame.

16073. *Q.* 10. Certainly India will become independent of other countries in regard to all her requirements of manufactured goods in the course of a few years. Even though there are some like machinery which at present cannot be made here, she will be able to prepare the machinery required if once put on its way in that direction.

16074. *Q.* 11. Yes. I would favour the imposition of protective duties on all the imported manufactures.

16075. *Q.* 12. Please see No. 11.

16076. *Q.* 13. Yes. It is highly desirable to establish new industries in the country and the only way to create a necessity for starting such industries will be, first of all diminishing the imported manufactures by imposition of heavy duties and thus creating a market for such manufactures in the country available at a cheaper rate. The Government in addition to enforcing a protective tariff should grant transport concessions, pay subsidies and advance monies at a nominal rate of interest and see that the industry prospers and becomes a success, the principle being, making India a manufacturing country.

16077. *Q.* 14. It is too difficult to imagine which of the industries will not be able to face foreign competition and to forecast the period within which they might develop and compete. It is a matter to be put into practice and learnt by experience. Generally, I believe, that no industry worth its name would require continuous assistance after it has taken root in the country.

16078. *Q.* 15. Yes. A bureau of commercial intelligence must be made a permanent organisation to investigate and publish periodical reports as to the growth of the manufactures imported into India in the various countries exporting them: and the uses of the raw materials exported from India in the various countries importing them. This bureau will be busy collecting statistics and information from almost all the principal trade centres of the world and record the beginnings made in the various branches of industries, growth and development and the success or failure of the various industries in these countries and diffusing such knowledge as will be thought beneficial to the industrial India.

The experts of the bureau will explain how such manufactures came into existence in these countries and how these when imported will prove disastrous to the Indian Industries and how they would compete; and advise measures to protect the Indian industries. Generally, I would suggest that an extra prohibitive import duty must be imposed on such manufactures, taking into consideration the quality of the manufactures imported and the local rate and quality of similar

manufactures in this country and fixing the rate of duty to make the imported manufactures dearer than the Indian manufactures.

16079. *Q.* 16. Hand industries must be maintained at any cost and at all times even after hand power or electric, water, fire or other power driven machinery has well been established in the country. By allowing them die for want of support manufactures for which the country has won a world wide name, will disappear.

Handloom industry is one that has attained its perfection in this country. The country still maintains its reputation in that particular branch. It protects many a family in season and out of season. There is a community of people who are called weavers and whose caste is identified with their profession of weaving. Weavers form a separate sect of community amongst Hindus. The art of weaving is inherited in them from times immemorial. They enjoy monopoly in weaving cloths and satisfy with their earnings high or low in their profession and enjoy freedom of independence in their life. Until the prohibition of the import of cotton goods into England was introduced by a statute of Law, in 1721, India was the only country supplying cotton goods to England. Indian handloom manufactures of cotton fabrics, silks, embroidered cloths and transparent Dacca muslins found best markets in Europe nay that of England until the traders were penalised by a statute of Law.

Even though the handloom manufactures have been decreased in quantity after the introduction of textile fabrics in India, the finish and fineness of cloth did not decrease. It is this cloth that still finds favour with females in Southern India. Moreover, in weaving colour chintz in handlooms the dyed yarn used for wart will bleed and give a shining appearance to the white wart while as it will not be so in power looms. It is only on account of this bleeding process of yarns, Madras is able enough to export her hand woven Chailasu, Taili and Lungees to Straits Settlements and Ceylon. Even the Germans who tried to capture this trade by dumping could not succeed even though they lose a pretty large amount. The production of solid bordered fabrics and fancy designs is impossible on power looms and much less to speak of elephant, lion, trees and other figured garments. Handloom weaving is the means of subsistence to more than a million people of this Presidency. Under the recent introduction of Fly Shuttle Slays, a handloom weaver is able enough to earn a rupee and a half and even more for him a day. If improvements are made on the present system they will fetch the weaver an additional income of a few more rupees a month.

16080. *Q.* 17. I don't think so. India is a vast continent. It will require a few years to establish mills and factories for her manufactures. Unless sufficient number of mills and factories established and run on good business lines there still arise no competition between the manufactures and that too shall exist when a similarity in their productions of more than one mill or factory arises. Even supposing that such competition arises on account of such similarities, I would not believe that a Bengali, a Gujrati and a Tamilian will unite and monopolise the prices.

If so happens the bureau of commercial intelligence will interfere and suggest a best remedy to overcome the then situation.

16081. *Q.* 18. I don't think any foreign firm will try to establish themselves in India, being a tropical country the climate of which does not seem agreeable to foreigners. The Government must assist all respectful Indian firms and the enterprising public by granting loans, etc., and give a push to established factories and mills sufficient in number to manufacture all that is necessary for the country and sufficient to meet her requirements. However the best remedy for any aggression on the part of the foreign firms trying to establish themselves in India would be to bring them to register at a heavy premium.

16082. *Q.* 19. I don't, first of all, think that any such conflict of interest shall arise. It would be an admitted fact that export of raw materials will decrease by protecting manufactures for which such raw materials are used. But at the same time they will find their markets within the country to a greater extent. As the gates of export shall not be closed against raw materials produced in the country, unless forced by circumstances to retain the whole produce for consumption in India, and that too if it would be found, that it would only suffice the country's demand they would have keen competition. As there is no fear of combination amongst the manufacturers, raw materials shall find Madras or Calcutta markets if Bombay or Punjab will be found unfavourable. As regards the spinning and weaving industries, both must have equal protection as they are allied and interdependent industries. Under a protective tariff the agriculturist, artisan and labourer shall find better rates and no one shall feel it hard, as the demand for raw materials and services will always be keen and competitive. If at all they arise they will adjust themselves.

16083. *Q.* 20. I don't consider that the whole amount of the import duty shall pass to the consumer in a rise of price. Partly it will reduce the profits of the manufacturers and hit the purse of the intermediate dealers and partly it will include in the cost price. And this will be so chiefly in the case of foreign imported manufactures.

16084. *Q.* 21. As explained above, the rise will happen in the case of foreign manufactures. Within a short period after the introduction of a protective tariff, Indian manufacturers will be busy with manufacturing protected manufactures until they are forced to seek foreign markets for their manufactures. There will be keen competition between the manufacturers and the prices will go down gradually and there will be no likelihood of higher prices becoming permanent.

16085. *Q.* 22. Yes. Any rise in price, I believe, will be willingly borne by Indian consumers for the sake of developing industries in this country.

16086. *Q.* 23. Yes. I have taken into my serious consideration the question of articles such as sugar, medicines, piece-goods, etc., which form the majority of imports and necessaries of life. And yet I would see no reason to recommend any article for admission at a favourable rate of duty. I therefore make no exception.

16087. *Q.* 24. I don't first of all think that the increase in tariff rates would tend to any considerable increase in the cost of living in India. I don't mind if there will be any slight increase for the time being and until industries established on a permanent basis because they would only be temporary. However, as a result of protective tariff industries will improve in India; sufficient number of mills and factories in India will be established. There will be competition for securing labour for factory and mill work. Competition shall also exist in making purchases of raw materials and procuring the services of experts and skilled artisans. Agriculturist, as a producer of raw materials, shall try to secure a favourable rate for his produce, export for his services and labour. This will tend to an increase in the cost of living in India.

(*a*) The industrial wage earner will always be on the look out of rising the level of his wage according to the profits the mill owners make year after year. There are already labour unions existing in the country, and experts would guide them and there shall be no fear as to his earnings to suffice the expected rise in the cost of living.

(*b*) According to the usages in the country the agricultural wage earner gets an annuity in the shape of produce from his landlord, his position will remain unchanged as he will not be paid in coin.

(*c*) The only difficulty is that of the middle classes I believe the difference would be covered by higher salaries which will readily be given by their masters as they have already tested it. For instance the average clerk, low paid, was getting Rs. 15 up till 1918 and now it has risen up to Rs. 25.

16088. *Q.* 25. It will diminish the bulk of the imports as a result of it the export in raw products will be reduced to such an extent as the countries exporting to India manufactures and finished articles (prepared from the raw materials purchased from India) have been purchasing. As far as other products are concerned the export trade would not suffer as these countries shall have to depend upon India for raw materials for their manufactures. India being preponderatingly an agricultural country, every country will be in need of her produce and therefore, she can find many markets for her products and there is no fear that her export trade will suffer. Many of the overseas countries would not dare to shut her off from their markets with their tariffs as the produce will be of necessity to them. For instance United Kingdom imports from India pro-

ducts worth £52,60,300 and exports to India manufactures worth £20,36,03,000. Belgium imports from India products amounting to £53,26,000 and exports to India her manufactures worth £1,26,51,000. Suppose by the introduction of a protective tariff, the imports of manufactured goods will be reduced from the United Kingdom and Belgium. And yet they will not be able to retaliate as they will be ever in wanting of Indian agricultural produce and raw materials even for their own domestic industries.

Even supposing that they for a period, do that to their own disadvantage, India will then import less and export less and still can remain self-contained and industries in the country will increase two-fold with the abundant raw materials available in the country and at a cheaper cost. It will then give a stimulus and create appetite to find markets in the foreign countries for India's manufactures.

It can therefore be fairly imagined that the commercial position of India will be bettered in the eyes of the other industrial countries of the world and the country will materially prosper.

16089. *Q.* 26. I do not consider that bargaining with other countries would be of any advantage to India. It would be advantageous to countries simply depending upon other countries for their necessaries of life and having no agricultural produce or natural products necessary for the other countries. The position of India occupies a quite different altitude in the commerce of the world.

16090. *Q.* 27. No. Special treatment is not necessary as at present for Indian produce to enter into any market. It might be necessary when India becomes a manufacturing country. Then the question may be taken up by the board of commercial intelligence and concessions given and taken.

16091. *Q.* 28. Please see my answer to 27.

16092. *Q.* 29. Yes. There must be one bureau of commercial intelligence for investigating the claims of various industries to protection from time to time and for the periodical readjustment of tariff rate. This must come into existence along with the enforcement of the protective tariff.

16093. *Q.* 30. Export duties must be levied only for the purpose of obtaining revenue. It must be a source of revenue obtained by indirect taxation. However the rates must not be prohibitive and the idea of discouraging the export of any raw material must not be entertained except in the case of foodstuffs, only on such occasions when monsoon fails or poor harvest threatens the country. This can be guarded by a temporary extra prohibitive duty or by a piece of legislation placing complete embargo on ships or by any such other measure which the bureau of commercial intelligence and exports in economy in the country would recommend.

Any increase in the export duties would tend to tell against the agriculturist, who will have to restrict himself to the wants of the country. There is no fear that the country will not be able to produce the required quantities necessary both for the Indian and foreign consumption, firstly because the increase in the Indian industries means reduction in the foreign import and therefore the consumption of either raw material or agricultural produce shall have to adjust between the increase and decrease. And secondly if at all there will be any increase becomes necessary in the production of any raw produce the country has abundant arable waste lands richer in soil to grow anything required.

16094. *Q.* 31. Export duty levied on articles having no monopoly of production will tell against export trade. For instance, jute has the world's monopoly. Indian ruby mica is the best in the world. A reasonable duty for revenue purposes cannot do any harm to those articles of trade. Articles of general production say cotton, oil-seeds, etc., may be considered leniently as the export trade in such products will reduce itself as a result of protective tariff for cotton manufactures and oils.

16095. *Q.* 32. No. As long as there will be a protective tariff in force the imposition of export duty will tend to reduce the production of raw material to the detriment of the agriculturist and put down the export trade. Side by side agriculture must develop with industries as long as there is productive land available in the country for agriculture. Killing agriculture, in this vast land is suicidal to the best interests of the population. The seat thus to be vacated by agriculture in India will be occupied by famine and pestilence. Some time after the introduction of the protective tariff if it will be experienced that any produce is not sufficient for the industries in the country such may be brought to book as emergency cases.

16096. *Q.* 33. *Vide* my reply to Question 30. Any provision for imposition of duty on foodstuffs may be resorted to wherever there will be a failure of monsoon. It would be unnecessary to try to reduce cost of living when there is means in the country to earn more to cover the increased cost and when there is plenty of foodstuff in the country to suffice both the country's consumption and export.

16097. *Q.* 34. No. Any export duty imposed on raw materials would tend to diminish the volume of the production of that material and the agriculturist until he finds a better substitute to keep his lands yield, shall have to lay waste his cultivable land. It will not only reduce the land revenue but will also decrease income and other taxes and thus affect the Government purse. The agricultural wage earner shall have to remain unemployed, and thus it will hit on the prosperity of the country. Therefore any heavy export duty must be a measure to protect an article from going out to the detriment of the Indian industries and to save the country men from being starved in times of scarcity, etc.

B.—IMPERIAL PREFERENCE.

16098. *Q.* 35. Generally the idea of Imperial Preference is an excellent one. But in its present state of India I won't recommend its adoption. Simply because India as at present is a chief exporting country of raw materials and a producer of raw products. It is not the case with many other countries with which it is trading. Whether a protective tariff will be adopted by India or not no foreign country would find it advantageous to tax its imports from India without affecting its own trade as the foreign countries will be badly in need of raw materials from India.

16099. *Q.* 36. No. The United Kingdom should be treated alike with the other countries in Europe.

16100. *Q.* 37. Adoption of a system of Imperial Preference shall prove in no way beneficial than the adoption of a policy of free trade. Because India gets 70 per cent. of its imports from the Empire countries and sends out 45 per cent. of its exports to the British Empire. If the system of Imperial Preference is adopted India shall be able to tax only on 30 per cent. of her imports, 55 per cent. of exports. It means, India, closing gates against foreign countries foregoing nearly 60 per cent. of customs revenue for no useful purpose. It is a bad economy. The country will suffer both by depending upon and throwing herself at the mercy of the Empire countries only for all her manufactures as at present importing and by killing the appetite to start new industries in the country as there will be no protection for India's manufactures and no hope of any competition. There is no fear of retaliation as India is not a manufacturing country as it exports raw materials which other countries are greatly in need of them.

16101. *Q.* 38. I cannot give any such list nor suggest any average rate of preference as I don't recommend the system of Imperial Preference to India for the present.

16102. *Q.* 39. This is the thing that requires a few years' experience after the introduction of protective tariff to know whether India would be able to manufacture all that is needed for herself or would remain depending upon other countries for her goods and in what particular manufactures; it is impossible to foretell this.

16103. *Q.* 40. With the cheap import duties to British manufactures they will enjoy monopoly, the foreign countries being kept off by higher duties. There is every likelihood of raising prices to British manufactures as there will be no competition. Any rise in the price will have to be borne by the consumer.

16104. *Q.* 41. The system of Imperial Preference will diminish both the imports and exports by 20 per cent. and 30 per cent. respectively in the total volume of trade, but it might increase in the case of countries within the Empire and yet it cannot affect the balance of trade as the percentage of loss in exports shall be heavy.

16105. *Q.* 42. If foreign countries will be kept off by Imperial Preference the trade so taken from their hands would go to the hands of the manufacturers in the United Kingdom. India might enjoy its share which opportunity gives and yet it shall have to forego much

of the competition in prices for her raw materials by shutting off foreign countries from its markets.

16106. *Q.* 43 to 69. *Nil.*

16107. *Q.* 71. There is a considerable change in the import of piecegoods as well as of twisted yarn, as detailed in the following statements. But I cannot attribute the decrease in the quantity of piecegoods to any increase in the import duties as the difference of rate is not so effective to reduce imports and as the industries in India have not developed to such an extent as to compete Lancashire and Manchester with the small margin of 4 per cent. and so.

Statement showing the quantity of piecegoods imported since 1915-16.

Yarns and articles.	Quantity.		Value.	
	In 1,000 Yds. or lbs.	Percentage of increase or decrease.	In 1,000 of Rupees.	Percentage of increase or decrease.
1915-16.				
Piecegoods	2,117,271 Yds.	...	3,73,266	...
Twist and yarn	40,427 Yds.	...	36,770	...
1916-17.				
——	1,822,782 „	—10·65	4,47,517	+19·9
——	29,530 lbs.	—26·96	40,489	+10·11
1917-18.				
Piecegoods	1,523,422 Yds.	—28·08	4,87,829	30·7
Twist and yarn	19,400 lbs.	—51·97	42,952	16·81
1918-19.				
Piecegoods	1,097,375 Yds.	—48·17	4,85,441	30·05
Twist and yarn	38,095 lbs.	— 5·74	88,663	141·13
1919-20.				
Piecegoods	1,063,684 Yds.	—49·77	5,12,312	37·4
Twist and yarn	15,097 lbs.	—62·66	43,595	18·56
1920-21.				
Piecegoods	1,491,248 Yds.	—29·57	8,29,154	122·13
Twist and yarn	47,333 lbs.	17·08	1,35,783	269·28

The chief reason for the decrease in imports is now apparent by the above statement that it is accentuated by the abnormal rise in prices of piecegoods and yarn by Lancashire and Manchester.

16108. *Q.* 72. Yes. I can speak with confidence in the case of piecegoods and except the same in other textile fabrics. Also in the cases of cotton, twist and yarn, hides and skins tanned, leather, motors and other carriages, cabinet ware and other manufactures of wood, etc., appreciable results might be expected.

16109. *Q.* 73. Adoption of any of the three suggestions would tend to increase the import of British manufactures in the country to no national good. Favouring British goods with preferential duties means no protection for Indian manufactures and making India a dependent country for ever. The pre-war 5 years average of imports from Briton from 1909-10 to 1913-14 was recorded as 63 per cent. of the total imports in India and during last year 1920-21 it shared 61 per cent. of the total of imports. Under such I cannot recommend any preference to British manufactures.

16110. *Q.* 74. In the first place do not see my way to recommend to the introduction of Imperial Preference and if it were to be introduced each part of the Empire should be considered separately as to the benefits India would derive from favouring such part of the Empire.

16111. *Q.* 75. By the introduction of a system of Imperial Preference import of goods will not diminish but it will simply alter the proportion in which that total is derived from foreign and British countries.

16112. *Q.* 76. India shall have to restriet herself to trade with British countries only as far as the import of manufactures is concerned. And another difficulty is this if any part of the British Empire say Canada, or New Zealand has a preferential tariff with America or South Africa by Imperial Preference granted by India they might import any article, if necessary, for India and try to export it from their coasts and thus they may be profited to the disadvantage of not only the foreigner but also of the Indian.

16113. *Q.* 77. *Nil.*

16114. *Q.* 78. The system of *ad valorem* duties is always the fairest. But there must be a change made in the present system of valuation. Articles are now valued at retail prices to the disadvantage of the wholesale dealers.

Oral evidence of Mr. NAMMALWAR CHETTY, of the Madras Piecegoods Merchants' Association, examined at Madras, on the 3rd February 1922.

16115. *President.*—*Q.* You appear as the representative of the Madras Piecegoods Merchants' Association?

A. Yes.

16116. *Q.* The members of your Association deal in piecegoods both foreign and Indian?

A. Yes.

16117. *Q.* Your Association favours a policy of protection as long as India remains dependent on other countries for the manufactures required for use in the country?

A. Yes.

16118. *Q.* You think that India will be self-dependent in respect of all her requirements of manufactured goods in the course of a few years?

A. Yes.

16119. *Q.* In their answer to Question 18 they say "However the best remedy for any aggression on the part of the foreign firms trying to establish themselves in India would be to bring them to register at a heavy premium." Will you explain what you mean?

A. (No answer.)

16120. *Sir Montagu Webb.*—*Q.* In paragraph 1 of their statement your Association say, they favour a policy of protection. Can you tell me how a policy of protection will benefit the Madras Piecegoods Merchants' Association?

A. That will help the manufacture of goods in India.

16121. *Q.* Will it encourage the piecegoods of Madras?

A. Yes, because Indian manufactured goods will be cheaper than imported goods.

16122. *Q.* You say that the locally manufactured goods will be cheaper than the imported goods?

A. Yes.

16123. *Q.* And that will benefit the Madras Piecegoods merchants?

A. Yes.

Witness No. 108.

XI

No. R. Dis. A-1188, dated the 14th December 1921.

From—H. C. SAMPSON, Esq., B. Sc., C.I.E., Director of Agriculture, Madras,

To—The Secretary to Government, Development Department.

16124. With reference to Government endorsement No. 2851-II—21-3, dated 8th November 1921, I have the honour to submit my views as follows :

16125. 2. India has always been essentially an agricultural country and in the past she has always been able to produce more cheaply than other countries.

16126. 3. The main reasons for this are that firstly her people depend largely on a vegetarian diet and secondly her food grains and pulses belong essentially to the country. These are hardly known on the world's markets and consequently their value is governed by conditions which prevail within the country itself. As long therefore as the supply was or is greater than the demand, the price of food-stuffs remains much lower than in other civilised countries where the food prices are governed by the world's markets.

16127. 4. In the past this has meant cheap labour and especially cheap agricultural labour, where wages were generally paid in kind. It has also meant a small individual monetary income when judged by the world's standards. With the protection thus afforded India has till now been able to produce other agricultural products such as cotton, oil-seeds, jute, sugar, etc., which enter into the world's markets at a price which compares very favourably with those of any other country and in return has, under conditions of free trade been able to import those of her requirements, which so far she has not been able to produce herself, at rates which compare favourably with elsewhere.

16128. 5. With the increase in population and in the area under cultivation a time must however come when further expansion of the area of profitable cultivation becomes impossible and I consider that this crisis has already come in Madras. In order to feed her people and without external resources, money or export crops will have to give way to food grains. The high prices, however which of recent years have prevailed for all export crops, have naturally increased the area grown with money crops and this increase has been sufficiently great to seriously affect the area devoted to food grains and the supply of the latter is no longer greater than the demand. It can now only be increased by abandoning money crops or by the adoption of more intensive methods of cultivation. In the case of cotton, the attached graph indicates the sympathy there is between the price at the sowing time and the percentage of the area under dry cultivation which is grown with cotton.

16129. 6. Money crops, however, have become a necessity and to provide money the tendency is to increase their area. The price of many of the present necessities of life in India of which cotton goods are the most important is governed by the world's markets. These have increased greatly in cost within the last few years and so have many other articles which may now be considered as necessities such as kerosine oil, lamps, matches, metals for cooking vessels, water pots, etc., etc. To pay for these, the grower must either grow money crops or must get a higher price for his grain crops. Any import duties, therefore, must increase the area under money crops and still further force up the price of food grains.

16130. 7. These changes brought about by the new values put on agricultural produce have also greatly affected the cost of production. The scarcity of food grains and their high prices have brought about a change in the method of paying agricultural wages and money wages have now to a greater extent replaced grain wages. At first sight it is not evident how this could increase wages, but on consideration it is evident that the difference between money wages and grain wages is the difference between the grower's wholesale sale rate in his village and the retail sale rate of merchants in the markets. Labourer instead of being paid from the grain stores of the grower, now has to purchase retail from the grain merchant. The person who gains the advantage is the merchant while the grower loses because he has to pay a higher money wage and the labourer loses because he has to pay a higher rate for his requirements. The grower loses still further, because, in order to provide money to pay wages, he is often forced to sell his produce at times when this should have been held up for a rising market. The merchant also under existing conditions makes a further profit as owing to the shortage of wagons for rail transport he is able to make local corners in grain. Before the war, attempts to corner local markets always failed as grain from elsewhere could readily be brought in.

16131. 8. Import duties, therefore, on necessities whether for revenue or for protective purposes introduce a vicious circle, since more money is required to purchase these necessities. To provide more money export crops have to be grown at the expense of food grains. This forces up the price of the latter which raises the money wage throughout the country. This increases the cost of production which means that more has to be expended on cultivation and the area of money crops again expands at the expense of food crops. This tells on every one directly and indirectly—directly as the people have to spend more and indirectly as taxation must increase in order to pay for the administration of the country.

16132. 9. Many of the questions arising out of this enquiry appear to contemplate a great industrial expansion in India. As far as Madras is concerned, I consider this to be impossible under present conditions of food supply. Madras has no reserves of food even to meet the needs of the existing population. The failure of the monsoon in 1918-19 definitely proved this. If then an industrial population is to be created in addition to the existing agricultural population, where are their food requirements to come from? There is no question of reducing the agricultural population. As time goes on and more intensive methods of cultivation have to be introduced, this must increase. The more sanitary housing arrangements which will doubtless be insisted on for the maintenance of industrial labour and the higher standard of living which the wages paid to industrial labour will involve will all tend to create a large addition to the population. Under existing conditions this is an impossible proposition.

16133. 10. At the present time, the only reserve of food which Madras has to fall back upon is the surplus rice crop of Burma and on this Ceylon, Malaya and the Far East are also dependent. In free competition, Madras claims to this additional food would be swamped. The only chance, therefore, for Madras to become an industrial country is to colonize and grow and import its food-grains. There are signs that this is possible in the future and the Madrasi is the only Indian I have met with who has ever made any attempt to settle and produce in other countries. Hardly without an exception other Indians met with abroad are merely traders and do little or nothing to develop the resources of the countries in which they live. In British Guiana, the Madrasi has now become a recognized settler and the bulk of the rice grown in that country is due to his endeavour. Much the same class of settlement is possible in the African Continent where there are large deltaic areas entirely undeveloped and which are much nearer to India. If these were really *colonized* by Indians, it would be possible to supplement the food supplies of the mother country and it is only by such productive colonization that India, as judged by the conditions which prevail in Madras, can ever hope to become an industrial country.

16134. 11. As regards Export duties, the enclosed note expresses my views on this question.

16135. 12. To sum up—

(*a*) If revenue is required from import duties, necessities of life should be immune from such, *e.g.*, in the case of cotton goods, only such goods as are of the finer qualities than are necessities for clothing should be taxed.

(*b*) As regards protection, India's greatest protection is (1) the cheapness in the cost of living

and every endeavour should be made to keep this down, (2) the cheapness in the cost of producing the raw materials required for industries.

(*c*) As judged by conditions in Madras, India can never hope to become an industrial country as long as her supply of foodstuffs is limited to what are produced in India itself.

(ii).—Note on Subjects IV and IX by R. D. Anstead, M.A., Deputy Director of Agriculture for Planting districts, R. V. Norris, D. Sc., F.I.C., Government Agricultural Chemist, H. C. Sampson, B. Sc., Deputy Director of Agriculture, V and VII Circles.

16136. The first question in the terms of reference of subject IV may, we think, be treated as an axiom, and the answer to subject IX will go a long way towards answering the second part of No. IV. The two subjects should, in our opinion, therefore, be treated as one.

We do not think any one who has not had experience of other tropical and sub-tropical regions of the globe realizes to what an extent India suffers from soil exhaustion. This is one of the first things that strikes any one coming to India from places like the West Indies or Africa. People talk glibly of the small acre yields in this country and the possibility of raising them to that of other countries by improved methods of cultivation, but we doubt if this will ever be the case. Certainly not in this generation.

16137. 2. The soil exhaustion in India is not merely a question of limited plant food, it is the position of that plant food in the soil. In most places manuring has become a necessity, but at the present time, adequate manuring is beyond the actual and the financial scope of the farmer. Continued manuring year after year is the exception rather than the rule and therefore most of the manures applied must be looked upon as a 'top dressing.' The result is that there is a tendency for crops to feed near the surface which greatly affects their powers of resisting drought. If a crop is to resist drought, plant food must find its way deeper into the soil to where the roots of the crop should normally develop, and this can now only be done by regular and systematic manuring.

The causes of this soil exhaustion are two, the habits of the people and their objection to the use of human excreta as manure, and the exports of such commodities as seeds, oil-cakes, bones, etc.

The first cause can only be remedied by years of preaching owing to 'sentimental' objections, of the people. It is, however, bound to come in time as the stress of population on the food resources increases. The second cause is the one for which a remedy is now sought.

16138. 3. The use of such manures in India is now limited and it is as well to consider the reasons for this. The reasons are, we consider, the following:—

(*a*) Ignorance of the value of such manures.
(*b*) Lack of capital to purchase them.
(*c*) Lack of local supplies and organization to supply from elsewhere.
(*d*) High cost of the manures.
(*e*) No redress to tenants for improvements.

(*a*) This is no insuperable difficulty if the Agricultura Department has a satisfactory district executive staff. No one is quicker than the Indian cultivator to calculate out where his profit comes in.

(*b*) & (*c*) There is an excellent organization in the co-operative movement to provide funds for the purchase of manures and arrange for supplies from elsewhere if stocks are not available locally.

(*d*) The high price of these manures is the main reason why they are not used. The Indian cultivator can only afford to pay the export price in the case of a very few crops. The reason is that the bulk of his produce is sold at very low rates when compared with the value of produce elsewhere. How can cholam (*Andropogon sorghum*) at, say, Rs 2 a bushel compete against rubber at, say, Re. 1 a pound for the purchase of manure? In the existing market the rubber man can at any time overbid the cholam man.

The question therefore is, are we going to let the people of this country starve because they cannot afford the present price of manures? The last year has indicated that this is no exaggeration, the failure of a single monsoon has shown that Peninsular India has no reserve stock of grain, and if this is the case now, what will it be when this becomes an industrial country and when the produce of the country has to support a large industrial community?

(*e*) In South India, very large areas of land, especially rice lands, are held by tenants on an annual lease. These people dare not increase their acre yield for fear of either having their rent raised or being evicted. If they are evicted, they can gain no redress for manurial residues and soil improvements effected by them. This is a question which Government will have to face very shortly and it might possibly serve as a useful subject for discussion at the next Board meeting.

16139. 4. In our opinion, the following are *legitimate* exports from India:—

(*a*) Articles which do not impoverish the country such, *e.g.*, as cotton, sugar, oil, rubber, spices, hides and skins, fibres, etc.

(*b*) Some grains may be legitimate exports, but food grains as a whole are not legitimate except when there is a surplus quantity as is the case with wheat in Northern India and rice in Burma, for example.

Illegitimate exports are commodities, the export of which lowers the productive capacity of the country such as, *e.g.*, fish (except for food), whole oil-seeds including copra, poonacs or oil-cakes, bones, horn and food-grains in general.

16140. 5. *Fish.*—At the present moment, fish is the cheapest form of nitrogen and phosphoric acid to be obtained in South India, and yet the cultivator, except for special crops like tobacco, is unable to use it on account of the high price caused by exports. The ex-factory price paid by exporters for fish guano since the time of the armistice has risen from Rs. 45 per ton to Rs. 100. the rice quoted in Colombo in February 1919 being Rs. 160 per ton.

The consequence is that the bulk of this material leaves the country instead of being utilized as a fertilizer to raise the yield of food crops.

If the price were in the neighbourhood of Rs. 85 per ton in bags on the West Coast, it could now be used by the average cultivators, but even this price can only be paid because the prices of food-grains are at present abnormally high.

Until the propaganda of the Agricultural Department has succeeded in teaching the cultivator the value of this form of manure, the price should be kept as low as possible since he naturally looks askance at paying a high price for a fertilizer about which he knows little or nothing.

For example, at the new Cambodia Cotton Station at Anamalai a start was made without any stock of manure or fodder and as a preliminary step 18 acres of fodder cholam (sorghum) manured with 5 cwt. of fish guano per acre, are being grown. This crop has already attracted so much attention from passers-by that the Farm Manager has had requests from neighbouring farmers to purchase for them over 12 tons of this manure. The price delivered is approximately Rs. 5 per cwt. and it would have been impossible to advertise a manure at this price without such a demonstration crop.

The total quantities of fish manures available each year are strictly limited and quite insufficient to meet the manurial demands of the country, hence this material comes within our definition of an illegitimate export, as there is never any surplus which could not be used for developing the resources of the country.

16141. 6. *Bones.*—At present, the majority of the bone manures produced in South India are exported, Ceylon being the chief market. In 1910-11, 8,181 tons of bones valued at over 4 lakhs of rupees left the Madras Presidency. The effect of this export is to force up the price; raw bone meal was quoted at Rs. 125 per ton and steamed bone at Rs. 130 per ton in Colombo in February 1919.

There is a certain sentimental objection against the use of bones as a manure in this country, but this is being overcome as is witnessed by the increasing number of small disintegrators which are being erected in the Madras Presidency. This is a tendency which ought to be encouraged. The concentration of manufacture in a few places involves an increase in transport charges on bones to the factory and on manures from the factory to the consumers.

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Another factor which forces up the price is the fact that big factories must accept contracts and in order to fulfil these they must obtain the raw material at any price. This not only tells against themselves but against the small factory in the district.

At present there are a large number of oil engines scattered about the country lifting water, but not working full time. These could be utilized for driving bone disintegrators, the capital cost of which is small. In many cases, owners of these engines are quite alive to the necessity for keeping their machines fully employed, and are quite prepared to crush bones if they could obtain these at a reasonable price.

The product of the small disintegrator moreover usually contains more nitrogen than that of the large factory, as the latter separates the fibre for use in manure mixtures. Consequently, not only is bone meal from the large factory most costly, but it is not of such high manurial value.

Soil surveys in the Deltas of the Madras Presidency have emphasized the urgent need for phosphates, and the demand for cheap phosphatic fertilizers is a large one, quite sufficient in fact to absorb the present output of bones. The districts in question represent above 5 million acres of irrigated rice.

16142, 7. *Oil-seeds and oil-cakes.*—While there is a well-known deficiency of nitrogen in the soils of the Presidency an increasing export of oil-seeds and cakes is taking place. During the five years ending 1913-14, an average export of oil-seeds to the value of Rs. 385 lakhs took place, and in the year before the war, cakes were exported to the value of Rs. 55 lakhs.

To take only one particular case, that of groundnuts, the total export of kernels in 1913-14 was valued at Rs. 3,44,48,000. The legitimate export was the oil in these seeds, valued at Rs. 2,93,34,000, leaving an illegitimate export of cake valued at Rs. 51,13,200.

At the beginning of the war, there was a big drop in the price of oil-seeds, owing to the lack of shipping facilities, and a corresponding drop in the price of cake. Soon, however, neighbouring countries, accustomed to systems of intensive manuring and finding their European supplies cut off, bought cakes largely in the Indian market and the price was forced up again. Now that the war is over, there is a huge demand for cakes in Europe and the price is likely to go up still higher. At the present time, the cost of cake is exhorbitant and it is difficult to obtain. A natural consequence of this is that the price of foodstuffs has also been forced up.

The oil-seed crop is a very exhausting one to the soil so that, if the bye-products are not returned to the latter, the result is a continual drain on its fertility. The groundnut crop in Madras affords an excellent example. The extreme variations in the area of this crop in different parts of the Presidency from year to year show in the clearest possible way that the land cannot continue to support such crops. In South Arcot, where the area under groundnut from year to year is more stationary, the crop is grown at the expense of the food crops. All the available cattle manure has to be applied to the groundnuts and the rice lands in consequence have decreased enormously in fertility.

It should be borne in mind in connexion with this subject that India is a country with a dense population, and the pressure on the land is already keenly felt in many parts, especially in Madras. It cannot afford to deplete the general soil fertility, therefore, in the same way as other countries with a small and scattered population. India's aim should be to increase the yield per acre, rather than to bring more unprofitable land into cultivation, in an attempt to supply the food necessary for her peoples. This aim can only be successfully attained by conserving the fertility of the soil to the utmost possible extent by preventing all possible losses of plant food.

16143. 8. *Remedies.*—The remedies we propose therefore, are the following:—

(*a*) In the case of fish and bone manures, where the supply is strictly limited, we strongly advocate *total prohibition of export.*

(*b*) On the case of oilseeds and cakes the object should be, while permitting the free export of oil, to retain as much as possible of the residual cake. This implies two things, the encouragement of the oil crushing industry, in the country, and the control of the export of seeds and cakes.

To meet this, we suggest that an export tax should be imposed on the whole seed and the cakes. The amount of the tax necessary to attain our object is a matter for economists to decide and we suggest that Government should at once take steps to examine the question.

The time for introducing such a tax appears to be opportune in view of the present great demand for oil in Europe. This competition will prevent the imposition of countervailing import duties on oil by the chief continental countries. The increasing production of cocoanut and palm oil in the less developed parts of the tropics during the next few years will probably go far towards solving the problem of the supply of facts and feeding stuffs in Europe.

16144. 9. The first effect of prohibiting the export of fish manures will be to bring down their price. Inquiries into the trade show that this will reduce the profit of the middle man, and will not seriously affect the actual producers. It is to be expected that as the internal demand increases as a result of a wider knowledge of the value of this manure, the price will be steadied, and the present gambling in fish manures will be stopped.

That there is a demand for fish manures and that this demand will increase as knowledge of their value increases is shown by the fact that in the Kasaragod taluk of the South Kanara district the value of fish as a manure for tobacco is already thoroughly understood, and so great is the demand during the period when this crop is manured that no guano at all is manufactured on this part of the Coast. The whole catch of fish is sold to petty cultivators direct from the fishing boats.

In the case of bones, which are more especially required for cereals, the effect of prohibition of export will be much the same; the small disintegrators scattered about the country will be encouraged and will increase in number.

16145. 10. The general principle underlying an export tax is to encourage the development of the oil-crushing industry of the country, and while providing every facility for the export of oil, to retain as large a proportion as possible of the residual cake for use in the country.

The tendency of this will be to provide additional food for cattle, and to add considerably to the available manurial resources of the country, thus lowering the cost of production of the necessities of life.

The careful study of the evolution of agriculture, which follows the pressure of cultivation on the land with the increase of population, indicates that as a result of the diminution of grazing facilities the farmer is forced, not only to grow fodder crops, but also to depend more and more on concentrated foods, and the increase in the cost of these has added greatly to the cost of production. This has been especially the case in the south of Madras, where the pressure on the land has developed the area of intensive cultivation under irrigation from wells.

The use of cakes directly as manure is also bound to extend where such methods of intensive cultivation are in vogue.

The difficulties of shipping transport imposed by the war have demonstrated the fact, that oil-seed crushing can be carried out in this country, and this industry, which had made such a promising beginning, will be encouraged by the proposed export tax.

The great increase of price which has taken place in the case of such manurial cakes as are not at present exported, *e.g.*, Pungam and Neem, indicates the rapidly increasing demand for oil-cakes as fertilizers, and that they could be absorbed by the country. We therefore believe that there would be no difficulty in absorbing the increased supply of the other cakes which may be expected to become available as a result of an export tax.

Further the increased demand for cake will tend to improve the methods of production. If the oil has to be exported, instead of whole seeds, concentration of the crushing industry and improved machinery must follow and this will tend to improve the quality both of the cake and the oil.

It is usually asked whether if the export trade of indigenous fertilizers like bones, oil cakes and fish be stopped or considerably reduced, the country can absorb these. Provided that the cost was thus reduced to bring them within reach of the cultivator, we believe it could.

All planting and most irrigated crops would benefit from the application of such manures and the following table shows the area under such crops in South India.

Taking the Madras Presidency alone, we see that out of the total cultivated area of in round figures, 34 million acres, 12 millions would benefit by the application of manures or 35 per cent. Taking the whole of South India into consideration, the full figures are not available but out of a total cultivated area of 43 million acres at least 14½ millions would benefit by manures or 34 per cent.

	Madras Presidency.	Mysore.	Travancore.	Cochin.	South India.
Area under cultivation	34,056,446	6,368,367	2,009,180	432,668	42,866,661
Area of crops available for absorption of indigenous manures—					
(1) Irrigated cereals	10,052,234	1,000,000 (estimated)	899,157	216,693	12,168,084
(2) Irrigated cotton	197,813	...	...	...	197,813
(3) Sugar	127,379	32,287	7,635	43	167,343
(4) Rubber	10,258	115	22,103	8,108	40,484
(5) Tea	28,367	109	69,639	...	98,115
(6) Coffee	52,686	107,595	7,782	...	168,063
(7) Chillies	279,260	...	..	...	279,260
(8) Onions and garlic	50,080	...	...	...	50,080
(9) Turmeric	49,028	...	...	...	49,028
(10) Betel vine	26,322	...	...	...	26,322
(11) Areca-nuts	89,169	...	...	...	89,169
(12) Plantains	115,772	...	...	...	115,772
(13) Cocoanuts	557,384	...	250,000	...	807,384
(14) Flowers	4,512	...	...	...	4,512
(15) Pepper	71,100	...	...	...	71,100
(16) Tobacco	207,579	16,120	...	...	223,699
Total	11,918,943	1,156,226	1,256,316	224,744	14,556,229

Transport.

16146. 11. Assuming that increased supplies of fertilizers will be available as a result of the measures we have suggested, two other problems remain to be considered, first, the question of cheap transport, and, secondly, the facilities for distribution.

At present, the rates for manures on different railways vary very much and require to be standardized. Owing to manures being in many cases classified as obnoxious goods, if economy is to be observed, they must be carried as far as possible in full wagon loads. To enable this to be done, co-operative distributing centres must be established and every encouragement and facility should be given to this desideratum.

We would suggest that all cakes should be classed as manures and thus obtain a uniform rate.

The whole question of railway transport was discussed by the Conference of Agricultural Chemists held at Pusa in February last, and the minutes of this Conference will be before the Board.

Government in G. O. No. 1317, Miscellaneous, dated 10th July 1919, have rejected the recommendations made by the Chemists' Conference, but we think that a reconsideration of this question should be urged upon Government, cheap transport being vital to the existence of the country.

Note by Dr. Gilbert Slater, M.A., D.Sc., Professor of Indian Economics, University of Madras.

16147. I have received copy of a memorandum signed by Dr. Roland V. Norris, Government Agricultural Chemist, and by Messrs. H. C. Sampson and Rudolph D. Anstead, Deputy Directors of Agriculture, on the above subject.

This memorandum advocates:—

(*a*) The total prohibition of export of fish and bone manures.

(*b*) An export tax on oil-seeds and copra, exported whole, and on all oil-cake exported, permitting the free export of oil.

Of these two proposals, I advocated the second over three years ago, soon after my arrival in Madras. I have carefully reconsidered the question since, and still remain of the same opinion. I would make the further suggestion that the proceeds of such a tax should be earmarked for promoting agricultural progress.

16148. There are always two possible effects of a tax on export: (1) that the export may be but slightly affected and the tax yield a revenue; (2) that the export trade may be destroyed or greatly reduced. It is the possibility or the probability of the second result following the imposition of an export tax that causes such taxes to be comparatively rare fiscal expedients. Since a tax on a commodity in transit usually falls ultimately rather on the consumer than on the producer of a commodity, export taxes would be very popular with Governments, because they would be mainly paid, by foreigners, if it were not for the fear of killing the trade. With regard to the particular commodities in question, it has to be admitted that it is desirable, from an Indian point of view, that the export trade in poonacs, whether separated or still incorporated in the seed, should be stopped. The only question therefore that we have to consider in this connexion is that which is touched upon by the writers of the memorandum, the question whether an export tax on oil-seeds would induce the present purchasers of those oil-seeds to put on a countervailing duty on Indian oil, in order to retain the crushing industry, I agree with the writers of the memorandum in thinking that there is no present danger of such countervailing duties. The demand for tropical oils as food, as

Export taxes in general,

The special case of oil-seeds.

raw material for margarine, for soap-making and for numerous other uses, was continually expanding before the war, and the demand at the present time is far in excess of the supply. It would therefore be most unlikely that any country would turn aside an available supply of oil and take steps that would cause Indian oils to be diverted to another market.

16149. We have, however, further to consider the question which of the two objects aimed at by the export tax is the more important. If we chiefly desire by means of an export tax to raise funds which will enable the Agricultural Department greatly to expand the extent of its operations, the tax on the exported oil-seeds should be very moderate. If our main object is to develop the pressing industry within the Presidency, a small tax which scarcely checks the export would have little immediate effect. Personally I would recommend at the beginning the former policy. We have to recognize that while the work of the Agricultural Department needs to be expanded very greatly, there are numerous other calls for increased expenditure on the part of the Government, and many of the most important sources of revenue are very inelastic. It would, therefore, be very helpful to have temporary assistance from the proceeds of an export tax. At the same time, even a small tax would act as a steady encouragement to the expansion of the oil-pressing industry, and in case the necessary organization and intelligence is devoted to the development of the industry, in course of time it should become unusual to export any oil-seeds uncrushed. I therefore would recommend at the start a moderate tax on exported oil-seeds and a heavier rate of tax on exported poonacs. The tax on poonacs might be adjusted to the tax on oil-seeds in such a way that a given quantity of nitrogenous matter when exported pays the same tax.

Export tax, high or low.

With regard to the proposal for prohibiting the export of fish manure and bones, I consider that this must be taken as two separate proposals requiring separate consideration.

16150. I do not see any objection to prohibiting the export of bones, or, what comes to much the same thing, putting on the export of bones a tax which will be sufficient to prevent exportation after the local means of utilizing this manure have become sufficiently organized.

Export of bones.

16151. With regard to the proposal to prohibit the export of fish manure, I think this question should be looked at from the point of view of the fishing industry as well as of agriculture. It appears to me that the fishing industry is capable of enormous extension, and that with regard to all edible portions of edible fish it is most desirable that these be converted into manure by the process of passing through the human body and not otherwise. I think that the friends of Indian agriculture, while rightly aiming at securing larger supplies of fish manure for the ryot, should endeavour to reach this result by way of increased catches of fish. I therefore would propose, in preference to prohibition of export, that a reasonably heavy duty should be levied on exported, fish manure, and on all fish which are not exported in such a way as to be fit for food on their arrival at the intended destination; and that the proceeds of this export tax should be earmarked for the development of fisheries.

Export of fish manure.

16152. I would therefore recommend that the principle underlying the above recommendations, the principle, that is, of levying export taxes on Indian raw materials, the produce of Indian agriculture which are not in great demand in foreign countries, and of earmarking the funds so raised for the promotion of agricultural produce, should be extended further. I may mention that this policy has been strongly advocated by my colleague Mr. H. Stanley Jevons, Professor of Indian Economics of the University of Allahabad. I need not go into the arguments in favour of such a course as they are sufficiently obvious. I may take the case of cotton largely exported from this Presidency as an example. The writers of the memorandum under consideration describe the export of cotton as 'legitimate.' I would recommend a small tax, the proceeds to be earmarked in the first instance for agricultural development—

Other exported agricultural produce.

(1) Such a tax would benefit the ryot. In the present condition of the market, a condition which is likely to last for as long a time as we need be concerned with, the tax would have to be paid by the foreign consumer or the middleman, and it is most unlikely that it would in any way affect the price received by the ryots. On the other hand the cotton-grower would derive very great advantage from the investigations and demonstrations which would result from the use of this revenue by the Department of Agriculture.

(2) It would apparently at the outset injure the exporter and the foreign purchaser of Indian cotton. But any injury which is received at the outset will soon be more than compensated by the increased efficiency of the Indian producer.

(3) It would doubly benefit the Indian manufacturer (*a*) in the first place by giving him a preference in the purchase of Indian cotton and (*b*) in the second place by improving the quantity and quality of the supply available for him within the country.

Oral evidence of Mr. Sampson, Director of Agriculture, Madras, the 4th February 1922.

16153. *President.*—*Q.* Mr. Sampson, you are Director of Agriculture, Madras?

A. Yes

16154. *Q.* As regards the first sentence of paragraph 5 of your letter, will you please explain what the local conditions are which have led you to the conclusion, namely, that the extension of profitable cultivation in Madras is impossible?

A. The land available now for cultivation, which has not been cultivated up to now, is so poor in quality that it does not really pay to farm.

16155. *Q.* That is to say, you mean that the whole area fit for agriculture is under cultivation at present and there is no room for extension?

A. Yes, that is so.

16156. *Q.* Then you further say that in order to feed her people and without external resources money or export crops will have to give way to food-grains. That is to say, you think that Madras does not produce sufficient food-grains for the maintenance of the population of Madras. Is that so?

A. This statement is justified by the average production of the last 4 years. I estimate that there is now, 5,000 tons shortage.

16157. *Q.* Does the province produce adequate food supplies during normal seasons?

A. During normal seasons it does.

16158. *Q.* Just about enough?

A. Yes. I have got the figures here. The average estimated supply is 9,005,500 tons. The estimated requirements are 8,736,000 tons. Of the total estimated supply 272,000 tons are the net imports into Madras.

16159. *Q.* The supplies include also imports?

A. Yes.

16160. *Q.* The figure represents the supplies which are consumed in Madras and not re-exported?

A. Not re-exported. It represents the net imports.

16161. *Q.* Therefore in normal years you have got practically no surplus at all?

A. No.

16162. *Q.* What is your population?

A. The population is 42,000,000. The estimated consumption was worked but at 4 cwt. per head per annum.

16163. *Q.* On what basis has this consumption been worked out?

A. It is worked out at 1¼ pounds per day.

16164. *Q.* Have you taken into consideration the non-human consumption of food-grains, food-grains that may be consumed by cattle and other domestic animals?

A. Horse gram, which is consumed by cattle, is not included.

16165. *Q.* You have not included horse gram but you have included all other food-grains?

A. Yes.

16166. *Q.* What about cattle? Don't they eat grain?

A. No. They eat cotton seed.

16167. *Q.* In Madras are no food-grains used as cattle food?

A. No food-grains, except possibly horse grams. I have not included horse grams in my figures.

16168. *Q.* Would you please give us a copy of your statements as they will be very useful to us. I want them to go into the records in full. (Witness handed in three statements which are appended to this evidence).

16169. *Q.* You think that so far as Madras is concerned the only method by which adequate food-grains can be

grown to meet the needs of Madras, with a fair surplus would be the adoption of intensive cultivation?

A. Yes.

16170. *Q.* In paragraph 9 you say that "The failure of the monsoon in 1918-19 definitely proved that the present condition of food supply is inadequate in Madras. You also say that if "an industrial population is to be created in addition to the existing agricultural population, where are their food requirements to come from? There is no question of reducing the agricultural population." Why do you say so? Cannot a portion of the labour which is now occupied in agriculture be taken away from agriculture and employed in factories reducing that much burden on the land without impairing the productive capacity of the land?

A. I do not think it can.

16171. *Q.* That is to say, you think that the amount of labour which is now occupied in the cultivation of the land is the minimum that is required?

A. Yes. But I do not say that there is no surplus available in the villages. Surplus people are available, but they do not belong to the labouring classes. There is a large population engaged in agriculture in the villages that have time to spare, but they would not be of the agricultural labouring class. They would not be an industrial labouring class either.

16172. *Q.* Then what class of people are they?

A. They are the landholder class.

16173. *Q.* That class would be very small?

A. No. They are a very big class.

16174. *Q.* That is to say, you have got small piece of land owned by people who do not cultivate themselves.

A. That is almost entirely the case in the rice areas of the southern part of Madras. In the case of rice lands practically all the land is leased out to tenants and the land holder lives on the profit.

16175. *Q.* Then he must have sufficient land to enable the agriculturist to find his maintenance and also spare something towards the landholder's maintenance?

A. The landholder's share in Madras is two-thirds and sometimes three-fourths of the grain produced.

16176. *Q.* That is, the cultivator only gets one-third or one-fourth?

A. Yes.

16177. *Mr. Seshagiri Ayyar.*—In some places the cultivator gets half.

A. It depends on the quality of the land. The tenant's share is usually just about a living wage.

16178. *President.*—In paragraph 12 (*b*) you say "As regards protection, India's greatest protection is (1) the cheapness in the cost of living and every endeavour should be made to keep this down, (2) the cheapness in the cost of producing the raw materials required for industry." How would you keep down the cost of living? You know that it has been going up by leaps and bounds during recent years. What would be your suggestion to keep down the cost of living in India?

A. I think free trade is one way by which the cost of living may be kept down.

16179. *Q.* We have had free trade and the cost of living has gone up tremendously in recent times?

A. There has been a certain artificial increase due to the boom at the end of the war. For instance, the price of clothing has enormously risen to the cultivating classes. That was due to the artificial price of cotton.

16180. *Q.* Then you think that under free trade principles, which means that India should produce raw materials and import manufactured goods, the cost of living would remain low?

A. I think so.

16181. *Q.* Do you think the agricultural class, which forms the bulk of the Indian population, consumes much of manufactured articles?

A. It forms a big bulk of the trade that comes into India.

16182. *Q.* But India is a big country. Have you any experience of village life?

A. Yes, I have.

16183. *Q.* Could you tell us from your experience whether any, and if so what, proportion of the imports, and what articles, go to the villagers for their needs?

A. I cannot give you any figures. Clothing, kerosine oil, metal for vessels, brass, iron, etc. Iron is a very large item in village life. It is required for implements, carts, shoeing cattle, and all sorts of purposes.

16184. *Q.* In (the same paragraph) you say "As judged by conditions in Madras, India can never hope to become an industrial country as long as her supply of foodstuffs is limited to what are produced in India itself." Will you please explain that point a little more fully?

A. That is really based on the figures I have given. Madras at present has just enough foodstuffs to maintain its population. If you are going to make a large industrial population in addition to your agricultural population, there would not be enough food to go round.

16185. *Q.* That is to say, you contemplate that an industrial population will be produced and will have to be maintained in addition to the population which exists at present?

A. Yes.

16186. *Q.* No part of the agricultural population could be diverted to industries without impairing the producing capacity of the agricultural land. Is that your position?

A. I do not think it could be done in Madras.

16187. *Q.* You don't think that the population dependent upon agriculture at present is more numerous than what agriculture could properly sustain.

A. The population dependent on agriculture includes a large number of drones, that is to say, the landlord class. The actual workers are not, I consider, too numerous. India is a tropical country. The cost of weeding and the amount of labour for weeding are so great that you have got to keep a large agricultural population.

16188. *Q.* Supposing industries are developed and the agricultural classes who are the tenants, are attracted to these industries by higher wages and other temptations for their economic well-being and they are tempted to go out and join factories because after all they are only tenants and have no permanent interest in the land, what would happen to the landlord who would not be able to keep the tenant in competition with industries which would give higher wages?

A. I cannot say, but I know that many of the tenants could not possibly get away.

16189. *Q.* Why?

A. Because they are indebted to the landlords.

16190. *Q.* Have they sold their services practically permanently?

A. Yes.

16191. *Q.* That is the condition throughout the Madras Presidency?

A. In the dry districts, for example the cotton districts, it is not so. In the rice districts it is the case.

16192. *Q.* Can you give us the proportion of acres under cultivation of rice? It is about half, three-fourths or five-eighths approximately?

A. Roughly the area under rice is about 11 million acres. The total area under cultivation is 38 million acres.

16193. *Q.* You consider that rice cultivation takes a lot more labour than dry cultivation.

A. Yes.

16194. *Q.* The lands under rice would require about 20 per cent. of the population.

A. Yes, quite.

16195. *Q.* The industries could draw for their labour from the rest of the agricultural population which represents about 80 per cent. Therefore there would not be the same amount of difficulty which I was led to believe from the preliminary statements.

A. But then so much of the cultivation is done by the farmer himself that the landlord class man would not let him go.

16196. *Q.* Don't you think that if that happened the cultivator could be freed by legislation from the bondage and that he could be drawn to industries, because we were told that would provide the necessary incentive to intensive cultivation. When the landlord finds that he has not got sufficient labour to cultivate his fields, don't you think that he would be forced to resort to scientific agricultural implements and use other labour-saving appliances to carry on the cultivation? Do you think that he will sit quiet and allow his income to disappear?

A. Well, it is very difficult to get labour-saving machinery for rice cultivation. You have got to plough when the field is under water and I don't think there is any mechanical implement which could do this. The crop has got to be transplanted by hand. Weeding has got to be done by hand.

16197. *Q.* If that labour is drawn away, the landlord will have either to cultivate the fields himself or let them go without cultivation.

A. Yes, assuming that industries pay more.

16198 *Q.* I am assuming that the industrial labour is paid more. There is a big margin of 80 per cent. from which industries could draw?

A. I think that you are wrong there.

16199. *Q.* I am taking your figures.

A. You are not taking my figures. For instance, in the ceded districts a man with a pair of bullocks cultivates about 30 acres of land.

16200. *Q.* You say that one man with a pair of bullocks cultivates about 30 acres of land.

A. Yes.

16201. *Q.* What crop?

A. Cotton, Jowar, etc. Dry crops which are grown there.

16202. *Q.* And for rice lands?

A. We estimate one pair of bullocks for 7 acres and besides a large amount of manual labour as well.

16203. *Q.* Will you kindly give us these figures? We want to have a comparative statement. You say that one individual with a pair of bullocks is sufficient for 30 acres of dry cultivation.

A. Yes.

16204. *Q.* For rice for the same area of 30 acres how many individuals and bullocks are needed?

A. About 4½ pairs of bullocks.

16205. *Q.* Individuals?

A. It is difficult to estimate. You want quite a number. You want a large number for planting and weeding.

16206. *Q.* Will you kindly say what number?

A. I cannot say off-hand.

16207. *Sir Maneckjee Dadabhoy.*—*Q.* In human economy I see that you give a predominant place to cultivation of foodstuffs.

A. Yes, you have to.

16208. *Q.* You are a Bachelor of Science.

A. Yes.

16209. *Q.* You have taken your degree in Agriculture.

A. Yes.

16210. *Q.* I understand from your note and your replies to the President's question that you think that the first aim in national economy must be for a nation or for a province to grow its foodstuffs up to its full standard of requirements. That is the doctrine which you are laying down?

A. It has to secure them.

16211 *Q.* If I am wrong please tell me. I understand that every country in your opinion—here you are not talking of Madras only—must as a unit grow its foodstuffs to the full requirements of its population.

A. I don't say that at all.

16212. *Q.* You don't agree to that.

A. No.

16213. *Q.* If you don't agree to that, how do you make your note consistent with the theory that other things side by side should not prosper.

A. You have got to see where your foodstuffs are going to be grown.

16214. *Q.* That is a predominant consideration with every country.

A. It is.

16215. *Q.* I will just give you two cases. Take your own country England. Did England ever grow the food stuffs needed for her population?

A. It used to do at one time.

16216. *Q.* It did at one time when there was not so much population as now.

A. Yes.

16217. *Q.* It never kept that standard before it.

A. Never.

16218. *Q.* Take the case of Japan. It does not grow all its foodstuffs in its own country?

A. It does not.

16219. *Q.* I can give you several other cases from European history where they don't grow all their food stuffs and where they largely depend upon imports. Why do you then attach so much importance to the cultivation of foodstuffs in Madras?

A. Because it is such a large rice-eating country.

16220. *Q.* You attach this preponderating importance because in your opinion Madras has a rice-eating population.?

A. Very largely that.

16221. *Q.* Because it has a large rice-eating population, it must grow its own rice?

A. No. I have suggested in my note that Madras has got to colonise.

16222. *Q.* That is another question. I am now referring to the point which you lay stress on, that Madras must stick to the growing of rice. It is a proposition with which I cannot agree and I should like to have some further information in order to clear up my views on the subject You say that because Madras eats rice which is a tropical food-grain, it must cultivate rice?

A. It must under present conditions till it can get its supply of rice from elsewhere.

16223. *Q.* At present it gets its rice from Burma?

A. It gets a certain amount, but there is no other country which grows rice from which Madras can import her requirements.

16224. *Q.* I understand that you are Director of Industries?

A. I am Director of Agriculture.

16225. *Q.* Working under the Minister for Agriculture?

A. Minister for Development, the Hon'ble Mr. Reddy.

16226. *Q.* The Hon'ble Mr. Reddy was examined by us yesterday. He is a born agriculturist. He comes from the community of agriculturists and he was a—I won't say violent—very strong advocate and supporter of industries in the province. He thought that it was very necessary from the point of view of Madras, and that the industries, if started, would really eliminate the present miseries and the poverty of the agricultural classes. That was his view, the view of a man born in the country and having his interests in the country. Have you got any special reasons to differ from his view?

A. I was not here when he gave his evidence.

16227. *Q.* I have given you the sum total of his evidence?

A. You seem to forget that agriculture is the main industry of India.

16228. *Q.* I know that, but it does not necessarily follow that because agriculture is the main industry of India, India should not develop her other industries, and that it should remain life-long an agriculturist country?

A. You have got to protect your agricultural industry.

16229. *Q.* Your view is that India should always remain an agricultural country. You are a Bachelor of Science. Can you tell me any country which has become great, internationally great, wealthy and important by remaining an agricultural country?

A. Several of the Dominions have, Canada has, South Africa has, Australia has, New Zealand has.

16230. *Q.* In South Africa you have got mineral resources. In Canada they are taking to industries?

A. Agriculture has gone by up leaps and bounds in Canada.

16231. *Q.* So in India. From what you argue I think that we should not go in for other industries, at least Madras should not. I will meet your argument in another way. I should like you to throw some light on that point. If you improve the purchasing power of a community, would not their improved purchasing power enable them to buy their foodstuffs without any difficulty? They could import the foodstuffs, if they have got the purchasing power?

A. If there is a place from which Madras could import.

16232. *Q.* You need not concern yourself about the world's affairs. You don't mean to say that India will be starving without food if we turn our energies to industries. You don't go to the extent to say that India will not get food supplies?

A. I do.

16233. *Q.* You must be an alarmist if you take that view. I am afraid that it is a very serious view which has never been placed before us?

A. Every nation in the East has got to protect itself. I was in Indo-China, last year, and every country in the East was there, scrambling for rice to supply their requirements.

16234. *Q.* You don't think that the purchasing power of a community will help them to get foodstuffs imported and live on them?

A. Not unless you develop the country which is going to export the foodgrains. It must be somewhere in the tropics which is not already developed.

16235. *Q.* For how many years has India developed her food grains?

A. Centuries.

16236. *Q.* Don't you think that during these centuries if India had some other avenues of employment and some other means of living the population would have been happier and more comfortable?

A. I can not say.

16237. *Q.* In answer to the President's question, you said that the landlord's share of the profits of the cultivation is so excessive that it leaves only one-fourth to the cultivator himself.

A. Yes.

16238. *Q.* Taking that argument of yours, don't you think that the cultivator is satisfied with his frugal share at present and works under this bondage because he has got no other source of employment in your province? If he

had other callings to turn his attention to, where he could get more, his lot would be much more comfortable and happier?

A. If you could feed him.

16239. *Q.* You cannot feed the cultivators without industries. You must have some sources of employment.

A. You cannot carry on industries without having food to eat.

16240. *Q.* According to you, you have got to feed. There may not be quite enough food, but you are not much short.

A. Two years ago we were a million tons short.

16241. *Q.* The whole of the Madras Presidency is not confined to the cultivation of foodstuffs. Some of your saner cultivators are taking to cultivation of cotton which gives them a larger yield, gives them a larger purchasing power. These cultivators don't grow foodstuffs but grow cotton and make money. Therefore they are more comfortable than the foodstuffs grower.

A. In some ways, they are.

16242. *Q.* They have got money to buy their foodstuffs.

A. Two years ago this was what happened. People took to growing cotton extensively in Coimbatore. They could not get food to eat, nor fodder for their cattle. They lost all the profits in buying food.

16243. *Q.* Madras has been peculiarly fortunate. You have not had famines like other provinces.

A. We do.

16244. *Q.* But seldom when compared with other provinces.

A. Because we have got big protective irrigation works.

16245. *Q.* You say "To pay for these, the grower must either grow money crops or must get a higher price for his grain crops. Any import duties, therefore, must increase the area under money crops and still further force up the price of food grains." Your argument then is that import duties have the indirect effect of forcing up the prices of food grains by increasing the area under money crops.

A. That is one reason.

16246. *Q.* That is the reason you have put in. Is not that state a natural transition from primitive society? In every civilised society you find that sort of transition.

A. I do not know. This is the only country I have had experience of where the food grain is entirely grown in the country itself.

16247. *Q.* Then you say that in Madras the tenant is generally indebted. He cannot leave his bondage to go elsewhere to do anything else. Why is he indebted. Is it not because he is confined to the agricultural industry?

A. It is usually because of his marriage ceremony, birth and death ceremonies, etc., in his family.

16248. *Q.* This is not a peculiar phenomenon to Madras. It is the national Hindu life.

A. I am simply telling you how his debts arose.

16249. *Q.* In every country, in every province it is the same story. He is not able to get rid of his indebtedness because he has got no saving beyond a bare existence according to you.

A. Yes, I don't see how if he is earning industrial wages, he would be any better off.

16250. *Q.* He has not the saving and therefore he is permanently indebted. Is that not so?

A. Partly that and partly he has not got the power of saving.

16251. *Q.* How is this saving to be built up if he is continually in this industry where he is in perpetual bondage? Saving I understand from an economic law is the fruit of labour, personal skill or capital or anything else. If he has got the skill, won't he save?

A. He may or he may not.

16252. *Q.* In paragraph 12 (*a*) of your statement you say "If revenue is required from import duties, necessities of life should be immune from such, *e.g.*, in the case of cotton goods, only such goods as are of the finer qualities than are necessities for clothing should be taxed." I gather that you want coarse cloth to come in free of import duty.

A. Yes, I do.

16253. *Q.* That is your position.

A. Because it is such a fearful tax on the people.

16254. *Q.* Therefore it ought to come in free?

A. Yes.

16255. *Q.* In your Presidency do people prefer foreign piecegoods, I mean coarser foreign piecegoods, to Indian goods?

A. They did before the war, because they were cheaper.

16256. *Q.* They preferred these?

A. Simply because they were cheaper.

16257. *Q.* Don't you think that if there were more mills in India, they would also make cheaper coarser cloth just as the foreign manufacturers?

A. They might.

16258. *Q.* If there were more mills in your province and more coarse cloth manufactured in the country, would not the masses get cheaper cloth?

A. They will get it cheaper, but I cannot say that they will get it cheaper than if there is free competition.

16259. *Q.* If there is competition in India by more mills being started, would not the masses get the coarse cloth cheaper?

A. Yes, but I cannot say they will get the cloth cheaper than under free trade.

16260. *Q.* You still think that the English piecegoods may be cheaper.

A. I cannot say.

16261. *Q.* There is a possibility?

A. Judging by the way in which mills are making money at the present time in India they are not going to be cheaper.

16262. *Q.* That is because there are not more mills. Would you like to have more mills or not?

A. I would.

16263. *Q.* How will you have these mills if you don't give that industry at its initial stage some sort of protection to compete with the foreign industry?

A. It is not in its initial stage. It is I think a well developed industry.

16264. *Q.* If you cannot get an article cheaper locally and if you have to depend for that article on imports, it shows that the local trade is not able to compete with the foreign trade. In that case, would you not foster the local trade?

A. In Madras.

16265. *Q.* Not in Madras but in India?

A. I think that the industry is a well developed one.

16266. *Q.* I am taking your argument that you cannot get cloth cheaper. English manufactured goods come in cheaper, and therefore I am asking would you not make them cheaper in the country?

A. I would if I could, and I do not know why it should not be. England has to import its cotton from America; she has to pay the cost of transporting it to England and then the cost of bringing it to India. Surely it is big enough protection for the Indian cotton industry to develop.

16267. *Q.* You say you cannot get it so cheap as foreign goods.

A. I do not say you cannot produce it so cheap, what I say is that you do not get it so cheaply.

16268. *Q.* To sum up, your argument is that India should permanently remain a producer of raw materials for the benefit of other nations.

A. As long as she is dependent on her present supply of foodstuffs.

16269. *Mr. Jamnadas Dwarkadas.*—*Q.* Mr. Sampson, talking about cotton cloth, you said that before the war they could get cotton cloth cheaper from England than they can now.

A. I did not say that, I said that people could buy imported cotton cloth at a cheaper price than locally made cloth.

16270. *Q.* Don't you think that even now, in spite of the 11 per cent. duty, they can buy that cheaper?

A. I think they may be able to buy Japanese cloth, but not Lancashire cloth.

16271. *Q.* What do the poor people buy, foreign or Indian cloth?

A. They want to buy whatever they can get cheap. They want value for their money.

16272. *Q.* You think that there is no chance of India being an industrial country.

A. I cannot speak for the whole of India; I can speak only for Madras.

16273. *Q.* Speaking from your experience of Madras you say that India can never become an industrial country. Do you think that India is solely dependent on agriculture?

A. 67 per cent. of the population is.

16274. *Q.* Do you think that the economic condition of India has been satisfactory all these years?

A. No, I do not.

16275. *Q.* So, you will admit that if she continues to depend upon agriculture as she has done in the past, there is no likelihood of the economic condition improving?

A. I do not know if the agricultural improvements are going to mitigate it. Co-operative credit ought to make

a lot of improvement in the economic condition of the people.

16276. *Q.* But industry ought to be really the one factor which would make India rich?

A. It might make a few Indians rich, but the majority of people I do not think it will.

16277. *Q.* Let us take the case of other nations. What is it that contributed to their prosperity? Let us take the case of the United Kingdom. What made the United Kingdom rich? Is it not her industrial growth?

A. Industrial growth and trade.

16278. *Q.* One can therefore legitimately conclude that industrial growth and trade would make India rich?

A. If India can get enough food to feed itself. That is the main crux.

16279. *Q.* Is there any danger of India not getting enough food to feed itself?

A. In Madras there is that danger certainly.

16280. *Q.* Do you think that the large proportion of the population which is now engaged in agriculture is required for it?

A. Those who are engaged in it are required for it.

16281. *Q.* You state that 67 per cent. of the population depends upon agriculture. Do you think that all this 67 per cent. is required for producing the food that India wants?

A. Yes, all the labouring classes certainly.

16282. *Q.* And you cannot dispense with a portion of that population for industrial purposes?

A. Not without reducing the efficiency of your agriculture and therefore reducing your crop yield.

16283. *Q.* Do you seriously think that it will affect the crop if a portion of the labour is attracted to industries?

A. I certainly think it would.

16284. *Q.* At present you do not apply scientific methods to agriculture?

A. Yes, we do.

16285. *Q.* Not to the extent that they are used in civilised countries?

A. Don't you call India a civilised country?

16286. *Q.* I do not say that India is not civilised. Are scientific methods of agriculture applied in this country on the scale on which they are applied in other countries?

A. Not by any means.

16287. *Q.* If those scientific methods are employed don't you think that India would produce more with less labour?

A. It would produce more with the same amount of labour.

16288. *Q.* Assuming that it is so, don't you think that if you want to introduce scientific methods it is easier to do that with a smaller number than when you have a large number of uneducated men?

A. There would still be a large number of uneducated men. The difference in propagandist work if you reduce the population will be very little indeed and we are merely touching the fringe of it at present.

16289. *Q.* There are certain tests of a country's prosperity. You ask whether agriculture is flourishing. Ask that question about India. Since the advent of the British people is the economic condition of the agriculturist such as to justify our saying that agriculture is flourishing?

A. The economic condition of the agricultural population has improved greatly in the last few years.

16290. *Q.* I am asking you whether it is satisfactory?

A. I do not think anybody is ever satisfied with anything. It is a question of degree.

16291. *Q.* We read in the official reports that they barely get a meal a day and that a large number of the population live on the verge of starvation. Do you think it is a satisfactory economic condition?

A. No, I do not think so.

16292. *Q.* Then, the second test is: are its industries flourishing? India's industrial growth has not been sufficient even to justify our asking that question. Is not that the case?

A. It all depends upon what you call industries. I call agriculture an industry. Don't you?

16293. *Q.* You admit that agriculture is not flourishing.

A. It is flourishing. Because people are starving it does not follow that agriculture is not flourishing.

16294. *Q.* We hear that the people are too weak to work. Why are they too weak to work?

A. Old age, disease, poverty.

16295. *Q.* Why do they die so early? The life period of the Indian labourer is 40 years.

A. I should say it is much more in certain parts of Madras. The housing conditions are bad.

16296. *Q.* The housing conditions are bad, they are diseased, you admit all this. And yet you say that India's greatest protection is the cheapness in the cost of living and that every endeavour should be made to keep this down. You yourself admit that India's cheap way of living is the cause of India's poverty. India's increased death rate and the shortness of life, and yet you say that this cheapness should be kept down.

A. If the quantity of food goes down you will have much more death and suffering.

16297. *Q.* You admit that the people are in a miserable state and that their standard of living is low. Then how can you say that the cost of living ought to be kept down?

A. If you are going to put the cost of living up you are not going to make them richer.

16298. *Q.* Will not the country be made rich by industrial pursuits? I mean if this dependence on agriculture is divided between agriculture and industry?

A. I should like to see it very much, but I do no see how you can do it before you have got enough food.

16299. *Q.* But why is the cost of living cheap for the average man? Is it not because he does not get more than one meal a day, because housing conditions are bad, etc.?

A. Take the Government clerks, for instance. Ten years ago they were well off with Rs. 20 a month, but they are not now well off with Rs. 50 a month.

16300. *Q.* What is it due to? It is everywhere the same. It is due to world conditions.

A. You keep the cost of living down and you will have very much more saving in the country.

16301. *Q.* What is that cheapness? It gives him miserable houses; it increases the death rate; and it hardly gives him one meal a day. Would that kind of cheapness be tolerated in England for a minute?

A. That is not what I meant by cheapness in the cost of living, living in hovels and not having enough food to eat. What I meant was that if the prices of your food-grains must be kept down to the level which the people can afford to pay.

16302. *Q.* What do you mean by saying that cheapness is an advantage and it must be kept down?

A. It is a great protection because the greatest industry in the country is agriculture and the profits of agriculture are due to the sale of what the agriculturist produces.

16303. *Q.* Then my question is what admittedly is the cause of the misery of the people? How can this cheapness be an advantage and how can you advocate its perpetuation?

A. I am not advocating its perpetuation.

16304. *Mr. Mant.*—*Q.* Mr. Sampson, I think there has been some little confusion on that last point. I understand what you advocate is keeping down the cost of living by keeping down prices. You do not propose keeping down the standard of living in any way. By lowering prices you enable a higher standard of living to be attained on the same rate of wages.

16305. *Q.* I wish also to clear up your position as regards the food supply. I understand that you consider it vital in the first instance to ensure the food supply of the population and that you think it would be dangerous to take any action which would tend to decrease those supplies, unless you can see a foreign source of supply, and at present you cannot see any source of supply of the sort of food-grains which this presidency requires?

A. I cannot see any in the near future.

16306. *Q.* That is really what you meant when you were trying to explain to Sir Manockjee Dadabhoy. I understand that you had some practical experience of that a couple of years ago?

A. When there was a shortage of rice in China, Japan, Siam and the Malay Peninsula and the Archipelago.

16307. *Q.* I understand there was great difficulty in getting supplies of rice for this presidency.

A. There was a regular scramble for rice from all parts of the East, and it was only by the Government of India's action by earmarking Burma rice, that we got it.

16308. *Q.* The Government of India had to control the export of Burma rice in order to feed this part of India among others?

A. Yes.

16309. *Q.* In paragraph 3 of your note you say that the main reason why India has been a cheap country is that she eats grains which are hardly known in the world's markets?

A. That is so.

16310. *Q.* Is not that a condition which is rather passing away with the improvement of transport?

A. I do not think so. Rice is really the only grain which is known outside India.

16311. *The President.*—*Q.* Rice and wheat?

A. We do not have anything to do with wheat.

16312. *Mr. Mant.*—*Q.* Are not these grains to a great extent interchangeable ?

A. People who live on a rice diet cannot eat other food-grains.

16313. *Q.* Well, if they are not directly known in the world's markets they are surely affected by the price of the grains that are exported to the world's markets ?

A. They are to some extent, but not to the same extent that they would be if they were on the world's markets.

16314. *Q.* Because the arguments you use later on in regard to competition between food crops and money crops surely applies to competition between the different classes of food crops.

A. It is influenced to some extent, certainly, but even then the food-grains of Madras are very much cheaper than the food-grains of the other parts of the world.

16315. *Q.* Of course, you do not export much in the way of food-grains.

A. We have not much to export. A certain amount of rice is exported from the Madras coast, but that is made up by what comes in from Burma.

16316. *Q.* Your conditions are quite different from what they are in Upper India where there is active competition between the different food crops, gram, wheat and barley. If there is a very high price for one crop it will supplant the others.

A. In a rice field you must plant rice and nothing else.

16317. *Q.* With closer connection between India and the world's markets, this condition of things is bound to pass away gradually and the cost of living in India is bound to rise, owing to buying and selling so much in the world's markets ?

A. It is bound to rise.

16318. *Q.* That is why I wanted to ask you whether you think it possible for that condition of things to remain ?

A. I think it will remain partially.

16319. *Q.* And that is why you object to protection. You think protection will accelerate the process of rise in price and the rise in the cost of living.

A. It will certainly do that, I think.

16320. *Q.* I am trying to find out what is at the bottom of your objection to a policy of protection. You say it would tend to rise prices and the cost of living.

A. I certainly think it would.

16321. *Q.* You say that your views on the question of export duties are given in the appendices to your note. There is an important question I should like to ask you something about. Can you tell me when those appendices were written ?

A. In 1919 or 1920,—before the last meeting of the Board of Agriculture.

16322. *Q.* Our time is limited, and I have not time to go into each of them in detail, but I should like to have your views on one general difficulty which strikes me in regard to these export duty on manures. Have you got a sufficient internal demand to justify the interference with the export trade which an export duty would involve ?

A. I certainly think we have in Madras.

16323. *Q.* These notes make it pretty clear that you want a great deal more propaganda, demonstration and education before you can get the manures generally used in the country, and in the meanwhile you would be interfering with the comparatively large trade.

A. As far as oil cakes go, we can easily use all the oil cakes we have in Madras. We have been working out the figures for groundnuts, and I find there is only enough groundnut cake to manure under a million acres of rice. In some parts of the country it is the common manure for rice now.

16324. *Q.* But is not a large proportion of the groundnut exported ?

A. Yes, that is so. That is why we ask for an export duty on oil seeds as seeds.

16325. *Q.* But that would largely increase the local production of oil cake ?

A. Yes : it would.

16326. *Q.* Would the demand grow as fast as the production ?

A. I think so.

16327. *Q.* Would the production grow very rapidly, if you had an export duty ?

A. I could not say.

16328. *Q.* But until it did grow you would be penalising the agriculturist by an export duty ?

A. To a certain extent.

16329. *Q.* Is this oil cake used directly as manure or given to cattle ?

A. Castor cake is always used directly as manure.

16330. *Q.* One other question, as regards fish manure. I notice that in a note by Dr. Slater, which forms one of your appendices, he says that it appears to him that the fish industry is capable of enormous expansion. If you put on an export duty won't you retard the expansion of that industry and really check the production of fish manure ?

A. I do not think so. At present the manufacture of fish manure is only in the hands of middlemen. It is not done by the fishermen themselves.

16331. *Q.* And what has stopped the expansion at present. Is it not the want of a large demand at high price ?

A. No. There is a certain amount of uncertainty about it. The supply of sardine fish on the West Coast is apt to fail. This year they have not turned up at all and all these factories, about 250 in number, on that coast are lying idle.

16332. *Q.* You rather doubt that statement, that it is capable of expansion.

A. I am not a fisheries expert, but I know that a great stumbling-block in the expansion of the manufacture of fish manure is the great uncertainty about the supply of sardines, and if the sardines do not come in the bigger fish that feed on them won't come in either.

16333. *Q.* If you could encourage the fish to come into the coast the production of manure would expand ?

A. We want to keep it in the country because the country can use the whole of it.

16334. *Mr. Birla.*—*Q.* You said in answer to Mr. Jamnadas Dwarkadas that the masses would prefer to use foreign cloth when it is cheaper than Indian mill-made cloth. As a matter of fact, foreign cloth is cheaper to-day.

A. The import price may be, but the retail price may not be.

16335. *Q.* You cannot expect the difference between the retail price and the imported price to be very large. You can at present get a Manchester-made dhoti for Rs. 3-8, but you cannot get an Indian mill-made dhoti for Rs. 5.

A. What quality is that ?

16336. *Q.* The same quality. You cannot get a pair of Indian made dhoties at Rs. 3-8. Of course, I am talking of the coarse thing.

A. There is no reason why it should not be, judging by the profits Indian mills have been making for the last two or three years.

16337. *Q.* Foreign cloth is cheaper. In spite of that the inclination of the people in India is to consume Indian made cloths and not foreign made ones.

A. If that is so, then the trade does not want any protection.

16338. *Q.* That shows that they want protection and that they are prepared to give that protection themselves. Is that not so ?

A. I cannot say.

16339. *Q.* Do you really think that embarking on industries in India will be dangerous to the country ?

A. No, I do not say so. There are industries which I think India can embark on quite well. For instance, there is metal work. There is no reason why it should not be organised and worked as an industry.

16340. *Q.* Are you opposed only to the cotton industry ?

A. I am not opposed to the cotton industry.

16341. *Q.* Then which industries are you really opposed to ?

A. I am opposed to creating a large industrial population.

16342. *Q.* What is the industrial population of India ?

A. I cannot say.

16343. *Q.* How do you know that if industries are extended in this country, a great portion of the agricultural population will be diverted to industries ?

A. That is what has happened in other countries.

16344. *Q.* In what countries ?

A. In Europe, in England, Germany, etc.

16345. *Q.* Do you think the condition there very satisfactory ?

A. What sort of condition ?

16346. *Q.* The economic condition ?

A. No, it is not at present.

16347. *Q.* Very bad, I think, in comparison with India.

A. I do not think you can make a comparison between England and India.

16348. *Q.* Are you opposed to industry ?

A. I am not opposed to industry.

16349. *Q.* Then you say that the agricultural interest will suffer if you embark on industries in India to a large extent.

A. I cannot talk of India; I only know of Madras. What I say is if you are going to start industries on a large scale, you have to carry away the labourers to the industries.

16350. *Q.* Out of the total population of Madras what is the proportion of the agricultural population?

A. I cannot say. The census shows about 67 per cent., say 2-3rds.

16351. *Q.* What is the remaining 1-3rd doing? Is it idle?

A. I cannot say what they are doing? The census report will show what they are doing. There are the bricklayers, masons, carpenters, coppersmiths, etc.

16352. *Q.* Are their wages high?

A. They have increased in the last few years.

16353. *Q.* On account of the increased cost of living, perhaps?

A. Very largely.

16354. *Q.* There is no great demand for labour I think.

A. For agricultural labour there is no great demand.

16355. *Q.* Do they import labour from other provinces?

A. No, except to a small extent from Mysore.

16356. *Mr. Seshagiri Ayyar.*—*Q.* You say, Mr. Sampson, that there is no possibility of the expansion of agricultural tracts in Madras. You know during the recent years there have been three or four irrigation schemes for extending agriculture. Will they not bring fresh lands into cultivation? There is the Pachampet reservoir scheme in the Trichinopoly district for which I have been working. Will that not bring a large tract of land into cultivation?

A. Is it not under cultivation now?

16357. *Q.* No. I believe it will bring thousands of acres. I will give you another project, the Vennar project. It is intended to bring the lands in Pattukotta in the Tanjore district into cultivation. You know that I suppose.

A. Yes.

16358. *Q.* I believe Government have been spending large sums of money on this, but it has not yet been completed. There is that project.

A. That is intensive agriculture.

16359. *Q.* I think it will bring dry lands into cultivation. Take, for instance, Manaparai in the Trichinopoly district. Nothing has been done there, because the lands depend on the precarious rainfall. In these circumstances, Government have been thinking of a scheme which will cost about 3 crores of rupees. If this scheme succeeds then the whole of Manaparai will come under cultivation. There is another scheme which was sanctioned last year for irrigating lands up in the north in the Vizagapatam district. If these schemes come into fruition, I am quite sure we will have something like ten lakhs of acres brought under cultivation.

A. Most of these lands are now under cultivation.

16360. *Q.* No. I cannot speak much about Vizagapatam. But take the case of the Tanjore and Trichinopoly districts.

A. There is a large tract of saline land in Trichinopoly.

16361. *Q.* There are sandy tracts which can be converted into cultivable land if you get proper irrigation. What I want to show is that you are not quite accurate when you say that there is no chance of the possibility of expansion of agriculture.

A. No, unless you use the artificial means that you propose.

16362. *Q.* Quite so.

A. Under present conditions there is no possibility. It may be only under the artificial means that you can bring the lands into cultivation.

16363. *Q.* Coming to paragraph 10, do you mean to say that if people take to industrial pursuits, more food-grains would be required?

A. Yes, in time that will certainly be the case.

16364. *Q.* Why do you say they will require more?

A. I have explained it in paragraph 9.

16365. *Q.* I don't quite understand the position.

A. I say that if an industrial population is to be created in addition to the existing agricultural population where are their food requirements to come from? More sanitary housing arrangements which will, doubtless, be insisted upon for the maintenance of industrial labour and the higher standard of living which the wages paid to the industrial labour will involve will all tend to create a large addition to the population.

16366. *Q.* I thought that the whole gist of your argument was that there would be a diversion of persons from agricultural pursuits.

A. It will be the case in the first instance.

16367. *Q.* In that case there will be no increase in the number of people who will require to be fed.

A. Not in the first instance. In those countries which have developed industrially, the population has increased.

16368. *Q.* As regards feeding there is a chance of expanding the agricultural area in Madras. You will find there are irrigation projects elsewhere also which would undoubtedly bring large tracts of land under cultivation.

A. That is only one hundred thousand acres. It is nothing.

16369. *Q.* I say ten lakhs. Then coming to another matter, you said that in the Ceded districts about 30 acres be cultivated by one man with a pair of bullocks. I don't know anything of the conditions there. So far as Trichinopoly and Tanjore are concerned we do not give more than 2 to 3 acres to one man with a pair of bullocks.

A. I have been working in the Tanjore district, and 7 acres of wet land have been cultivated with one pair.

16370. *Q.* Was the scientific plough used?

A. No, the ordinary plough.

16371. *Q.* With one man?

A. Yes.

16372. *Q.* Is it one crop or double crop?

A. Some single, some double.

16373. *Q.* You say at the outset of your paper that India has been an agricultural country. Is it your desire that so far as Madras is concerned it should continue to be an agricultural province?

A. I do not express any opinion.

16374. *Q.* Do you think that if industries are started, it would greatly improve the position of the agricultural labourers?

A. I have noticed that where they have started rice mills there they have got to pay more for agricultural labour.

16375. *Q.* Is it a fact that a large number of the agricultural population go out of this Presidency?

A. Yes, quite a number of them, to Ceylon, Fiji, and so on.

16376. *Q.* Do you find Madrasi men in those colonies?

A. You don't find them in Kenya.

16377. *Q.* They certainly go to Fiji.

A. Yes, a large number of them.

16378. *Q.* Therefore there is an agricultural population to spare so far as Madras is concerned. They can go out and find employment elsewhere.

A. There is a shortage of labour in Tanjore for agricultural work.

16379. *Q.* You recognise that there is a large migrating population in Madras.

A. Yes.

16380. *Mr. Coyajee.*—*Q.* What are the main varieties of commercial crops in your Presidency?

A. Cotton is the main commercial crop. Groundnut is possibly the next. These are the two main crops. In the West Coast, we have copra, coir, pepper, ginger, etc.

16381. *Q.* Would you give an approximate idea of the increase in the acreage under these heads during the last decade?

A. About ten per cent.

16382. *Q.* Was this increase at the expense of food-grains?

A. I cannot say.

16383. *Q.* You say it is a serious encroachment on food-grains.

A. Yes, certainly.

16384. *Q.* Now coming to paragraph 4 of your memorandum, do you think that in normal years there is a legitimate export of surplus food-grains?

A. No.

16385. *Q.* I am talking of India as a whole.

A. I cannot speak for India as a whole.

16386. *Q.* If, however, an export duty is levied on food-grains would it have the effect of bringing the land more under commercial crops?

A. It all depends on circumstances.

16387. *Q.* It is argued that it is because this export takes place that our local prices of food-grains go up with the foreign prices of the food-grains.

A. It may be the case with wheat. I do not think it has any effect on the prices of other food-grains.

16388. *Q.* In your province all these things such as rack renting, etc., have reduced the efficiency of the agricultural labourer.

A. Yes.

16389. *Q.* You say that agricultural improvement is a condition precedent to the development of manufactures,

because that will raise the efficiency of the agricultural labourer.

A. Yes. I do not know whether this efficiency will be got if the normal increase in population is taken into account.

16390. *Q.* You say that would lower the efficiency again.

A. I say there may be no improvement on account of the normal increase in the population.

16391. *Sir Montagu Webb.*—*Q.* May I ask you how long you have been in India?

A. I have been in India for 15 years.

16392. *Q.* Have you had experience of any province other than Madras?

A. No. My services have all been in Madras.

16393. *Q.* You have given a most interesting paper which I have been studying very carefully and it appears to me that the conditions to which you draw our attention are in many respects peculiar to Madras. I do not believe that they would apply to other parts of India. Do you realise that?

A. I do not know.

16394. *Q.* I have in mind the pressure of the population on the land. Do you think that there is the same pressure on land in other provinces as in Madras?

A. Certainly not in Bombay and in the Central Provinces. You have a greater pressure in the Madras Presidency than there.

16395. *Q.* Can you make any suggestions to us as to how Madras can be assisted by fiscal changes? Take agriculture first.

A. I have already drawn attention to a note on the preservation of manures for use in India. I do not know whether you have seen it.

16396. *Q.* I have that note before me. That recommends the prohibition of the export of fish and bone-manure and the taxation of the export of oil seeds and cakes. Are you satisfied that if exports were prohibited these manures would find their way to the land here?

A. It would certainly.

16397. *Q.* Do you mean to say that by prohibiting the exports of these manures, you think that agriculture in Madras can be augmented?

A. Yes, certainly.

16398. *Q.* With regard to oil seeds, are you not afraid that an export duty on oil seeds would perhaps, lead to the diversion of cultivation to other crops?

A. Of course, it may, but it depends upon how big an export duty you put on the oil seeds.

16399. *Q.* What is your recommendation? Do you want a small export duty?

A. Certainly, in order to encourage oil crushing in India.

16400. *Q.* Your idea is to encourage the retention of manure in this country.

A. Yes.

16401. *Q.* I confess it is something new to me to know that it is so important to conserve oil cakes for manure. Oilcake is not used in Europe as a manure. I think it is mainly used for cattle food.

A. It reaches the land ultimately.

16402. *Q.* These are your recommendations so far as the agricultural interests are concerned.

A. Yes.

16403. *Q.* With regard to import duties, I take it that the less the import duty the better.

A. Yes.

16404. *Q.* You get a bigger market for your produce and greater competition and you secure your manufactured article at a lower cost. Is that your idea?

A. Yes.

16405. *Q.* We heard yesterday in Madras that one of the ways of stimulating intensive agriculture was to take some of the existing population off the land and put them into industries as the few that were left would then take to labour-saving appliances. Is that a method of procedure that commends itself to you?

A. Not at all. The crops have got particular sowing seasons. This means that you have to put all the labour you can on to them.

16406. *Q.* Supposing a successful factory was erected in one of the rural tracts and was paying very substantial wages to its employees, what do you think the effect would be on the agricultural development of the district? First of all some of the labourers would be attracted to the industry?

A. Yes.

16407. *Q.* What would happen to the rural tract?

A. It all depends upon the tract. If it is a cotton tract, it would not be affected very much because it is a much more elastic tract than a rice tract.

16408. *Q.* If it happened in a rice tract, what would happen?

A. We have had example of that in our rice tracts recently. There have been extensions recently of rice mills in most of the rice deltas, Krishna delta and Tanjore delta.

16409. *Q.* What was the effect?

A. Well, it sent up wages all round.

16410. *Q.* That I take it is a benefit to the people.

A. It sent up prices too. It cuts both ways.

16411. *Q.* Who is the person that suffers by it? We have got the rice miller doing well and we have the grower of rice doing well.

A. The man who is growing the rice does not get on well.

16412. *Q.* Why there is a better payment for his rice?

A. It is not as high as the increase in the wages, and at the same time he will lose much by missing the right season. For instance, the rice crop may yield a certain quantity if you begin exactly at the right time, and if there is a delay of about a fortnight or so, the yield will be considerably less.

16413. *Q.* If you were an autocrat in charge of these proceedings would you prefer the protection of the rice mills?

A. They are limited in number and very soon cut each other out and go bankrupt. One man starts making money and another man starts in the same area. In that way many of them collapse.

16414. *Mr. Narottam Morarjee.*—*Q.* In answer to the President, you said that on an average the consumption per head in Madras is 1½lbs.

A. Yes.

16415. *Q.* Have you got figures for other Presidencies? What do they consume?

A. We have got jail figures and also figures for military troops.

16416. *Q.* Have you any figures for Bombay?

A. No.

16417. *Q.* Supposing more manure is used such as bones, oil cakes, etc., how much will it increase production?

A. I have just been working out the figures, but I cannot remember them off hand.

16418. *Q.* Would it be by about 50 per cent?

A. 15 per cent. to 20 per cent. will be nearer the mark.

16419. *Q.* You must be aware that many Madrasis are going to Burma and other countries?

A. Yes.

16420. *Q.* Why are they leaving Madras? Is it because they do not get sufficient employment here?

A. I do not know. The Tamilians are of course the old sea-faring race of India and you find traces of the Tamil people all over the East.

16421. *Q.* There are many more leaving now. About 20 years ago when I was in Burma, there were very few, but now I find that there are many Madrasis.

A. They go there and come back again.

16422. *Q.* Is it because they do not get sufficient employment here?

A. It may be. For instance, people from Cocanada side go to Burma. That is generally a tract which is very often liable to scarcity and when scarcity comes people naturally go where they can get a living. It is not a question of getting employment, it is a question of getting food.

16423. *Q.* Supposing there were industries in India which could provide employment for them, would they go out of India?

A. Very probably they would not.

16424. *Q.* How many experimental farms have you?

A. About 18.

16425. *Q.* How do you educate the people by inviting them to see your experimental farms or by distributing leaflets?

A. Well, we bring the results obtained at experimental stations to the notice of the tract which is concerned through our Agricultural Demonstrators who are touring officers and they do their best to popularise any improvements.

16426. *Q.* Does the cultivation suffer owing to the division of lands into smaller plots?

A. It is bound to.

16427. *Q.* Has it been done here on a large scale? We were told in Punjab that if a man had three or four children, they suffer a great deal because the lands had to be divided?

A. I suppose they must suffer here in the same way by the division of lands. I have seen maps of Bombay

where fields have been divided. Here also it is very much the same.

16428. *Q.* Do Madrasis require more clothing than the people in other parts of India?

A. I should say they want less.

16429. *Q.* In the Madras Presidency do you grow rubber?

A. That is mostly in Cochin and Travancore.

16430. *Q.* Supposing a Government factory was started, could they not manufacture rubber goods?

A. I suppose they could.

16431. *Q.* Is the climate good for rubber goods?

A. I cannot tell you. I am not a rubber expert.

16432. *Q.* You say "At present the majority of the bone manures produced in South India are exported, Ceylon being the chief market." Do they re-export or do they use it for manure?

A. They use it as manure in Ceylon.

16433. *President.*—*Q.* I should like you to elucidate one or two points which you made and which are very important in connection with agriculture. You say that one individual and a pair of bullocks are sufficient to cultivate 30 acres of dry land.

A. Yes, in cotton areas.

16434. *Q.* And for rice you require 4½ pairs of bullocks and you are unable to say how many individuals will be required.

A. Well, I can give you figures from one of our experimental stations. We have got 100 acres of rice land of which 20 acres are double crop lands. We get two crops on these and we employ 22 men and their women. Each man is expected to work with his wife.

16435. *Q.* That gives 5 acres per man and wife, *i.e.*, 2½ acres per individual.

A. Yes.

16436. *Q.* Then you said that there were 11 million acres under rice in Madras.

A. Yes.

16437. *Q.* And 27 million acres under dry crops.

A. Yes.

16438. *Q.* For the 27 million acres of dry crops working on the basis of one individual for 30 acres, it comes to 9 lakhs.

A. That is the cattle required for cotton area. Mr. Seshagiri Ayyar said just now that red soil dry lands would require more cattle.

16439. *Q.* I am talking of human beings now. I am not dealing with cattle at all. I am dealing with the number of individuals required for agricultural purposes and according to your calculation 9 lakhs of agriculturists would be required to cultivate 27 million acres of dry land.

A. You generalise too much. I have given an example where agriculture is least crowded. Cotton tracts are always reckoned like this that to cultivate 30 acres a man and a pair of bullocks are necessary.

16440. *Q.* We will add something to it if necessary.

A. You generalise too much, I do not say that the whole 27 million acres could be cultivated by 9 lakhs of people.

16441. *Q.* But that is what you stated to the Commission.

A. I instanced to the Commission what was our most intensive cultivation and at the same time that which is our most extensive.

16442. *Q.* The figures I have worked out appear to be so extraordinary that I am putting them to you in order to get some explanation as to the actual facts. Assuming that what you stated is correct, then 9 lakhs agriculturists would be sufficient to cultivate 27 million acres of dry crops.

A. Dry cotton lands.

16443. *Q.* Dry crops?

A. No. Take the case of ground nut which is quite different though it is a dry crop. I gave you an example from the Ceded Districts which are entirely cotton districts.

16444. *Q.* In working out 11 million acres under rice working at the rate of 5 acres per man and wife, it comes to over 2 million pairs or about 5 million people.

A. Yes.

16445. *Q.* According to this, the total number of agriculturists for the whole of the Madras Presidency is only 53 lakhs with a population of 42 millions, 67 per cent. of which depend upon agriculture. The number works out to 28 millions. Do you mean to say that the 28 millions of people are dependent upon the labour of 53 lakhs.

A. Conditions vary a great deal in different parts. You cannot generalise like that.

16446. *Q.* I want to know whether the actual number of agriculturists employed on the land now is essential for the production of the present crops or whether agriculture has to maintain a larger number of men and women than are actually needed for the purposes of cultivation. That is the point I really wish to know.

A. You can best get that by a study of agricultural wages. The wages are a fair indication of the man's labour and you find that agricultural wages at particular times of the year go up to a very high figure. For instance, in the cotton tract of Tinnevelly I have known a male get as much as Re. 1-8-0 a day.

16447. *Q.* For how many days in the year?

A That will go on for two months.

16448. *Q.* You can only take an average of the agriculturist's earning. There may be a very great demand during certain periods in a year.

A. There always is a heavy demand at certain periods and you have got to allow for that.

16449. *Q.* You could not give us any definite statistics on the lines on which we have been trying to work out on the statements made to us.

A. I am unable to give you any reliable figures for the whole of Madras.

16450. *Sir Montagu Webb.*—*Q.* I want to know whether the industries in the Madras Presidency might not draw their labour from the normal increase in the agricultural population.

A. It would give you an additional population but that additional population has to be fed. That means more intensive cultivation.

16451. *Mr. Seshagiri Ayyar.*—*Q.* Where is the experimental farm of which you were talking?

A. It is near Mayavaram.

16452. *Q.* How many hours do these labourers work?

A. They start work in the morning at about 7 and work till dusk.

16453. *Q.* That is nearly 10 hours.

A. Yes.

16454. *Q.* By working 10 hours you are able to cultivate 10 acres, by employing 40 men and women.

A. Yes.

16455. *Q.* On an average this comes to about 3 acres.

A. Yes.

16456. *President.*—*Q.* The question whether the labour actually employed in Madras in agriculture is sufficient, or is in excess of the requirements or less than what is required, has not been answered.

A. I can only go by the labour market.

16457. *Q.* I quite realise that it is a difficult matter.

A. It is.

TABLE I.

Estimated requirements of food-grains and pulses in the Madras Presidency.

Year.	Estimated population.	Estimated consumption of food-grains and pulses.	Estimated quantity required as seed for the next crop.	Total Estimated requirements.	Remarks.
1	2	3	4	5	6
		Tons.	Tons.	Tons.	
1916-17	42,356,000	8,471,000	293,000	8,764,000	
1917-18	42,516,000	8,503,000	267,000	8,770,000	
1918-19	42,000,000	8,400,000	297,000	8,697,000	Estimated deaths from influenza 682,000.
1919-20	42,160,000	8,432,000	282,000	8,714,000	

Note:—(1) *Column* 2. The figures are estimated with reference to the population recorded in the Census of 1911 (41,405,404) and the Census of 1921 (42,322, 270).

(2) *Columns 3, 4 and 5.* The figures are in cleaned grains.

(3) *Column 3.* The average consumption has been estimated at 4 cwt. per head per annum.

TABLE II.

Estimated supply of food-grains and pulses in the Madras Presidency.

Year.	Estimated yield of food-grains and pulses.	Net imports by rail and sea of food-grains and pulses.	Total estimated *gross* supply.	Estimated wastage.	Total estimated *net* supply.	Remarks.
1	2	3	4	5	6	7
	Tons.	Tons.	Tons.	Tons.	Tons.	
1916-17	9,563,000	181,000	9,744,000	244,000	9,500,000	
1917-18	9,491,000	76,000	9,567,000	239,000	9,328,000	
1918-19	7,518,000	235,000	7,753,000	194,000	7,559,000	Very unfavourable season.
1919-20	9,284,000	598,000	9,882,000	247,000	9,635,000	
Total.	35,856,000	1,090,000	36,946,000	924,000	36,022,000	
Average	8,964,000	272,500	9,236,500	231,000	9,005,500	

Note:—(1) The figures are in cleaned grain.

(2) *Column 2.* Horse gram is omitted as it is mostly fed to cattle.

(3) *Column 3.* Net imports by rail and sea of pulses during the four years in question amounted to 561,000 tons, food-grains being responsible for the remaining 529,000 tons.

(4) *Column 4*=Column 2+Column 3.

(5) *Column 5.* The wastage is calculated at 2½ per cent. of the gross supply.

(6) *Column 6*=Column 4—Column 5.

(7) Pulses contribute only about 4½ per cent. to the *total* supply of food-grains and pulses.

TABLE III.

Estimated surplus or deficit of food-grains and pulses in the Madras Presidency.

Year.	Total estimated *net* supply.	Total estimated requirements.	Estimated surplus (+) or deficit (—)
1	2	3	4
	Tons.	Tons.	Tons.
1916-17	9,500,000	8,764,000	+736,000
1917-18	9,328,000	8,770,000	+558,000
1918-19	7,559,000	8,697,000	—1,138,000
1919-20	9,635,000	8,714,000	+921,000
Total	36,022,000	34,945,000	+1,077,000
Average	9,005,500	8,736,250	+269,250

Note:—

(1) The figures are in cleaned grain.

(2) The estimated surplus over a period of four years of which *three* were *good* amounted to 1,077,000 or say a million tons. This is quite reasonable seeing that an appreciable quantity of grain is stored in good years. The estimated surplus in 1916-17 and 1917-18 amounted to 1,294,000 tons which was almost wiped out by the deficit of 1918-19. As regards 1919-20, it will be seen from column 3 of Table II that people imported large quantities apprehensive of another bad year.

(3) The Presidency is normally self-supporting. The estimated surplus (1,077,000 tons) during the four years in question is almost the same as the net imports by rail and sea (1,090,000 tons).

Witness No. 109.

C. RAMALINGA REDDY, Esq., M.A. (Cantab.)

Written statement dated the 5th December 1921.

16458. I shall preface my replies to the particular questions laid down for answer by a general statement of the principles that ought to guide the tariff policy in India. Recent events in Europe have shown that the one-sided development of manufactures to the detriment of extractive industries has not been all to the good; that it has resulted in an artificial civilisation the chief features of which are extraordinary growth of cities and the having to maintain a very large population on food imported from foreign countries and the having to keep up manufacturing industry itself by means of raw materials, also imported from foreign countries. The need for keeping an economic grip on undeveloped countries has been one of the causes of the unconscionable imperialism and militarism of Europe and its reaction on the character of European nations has been deplorable from the point of view of humanity. When during the war outside supplies of food and raw material were cut off, a good part of Europe collapsed economically. The terrible fate that has overtaken Austria and that even yet hangs over Germany and the distress that the victorious countries even are passing through should be a warning to that school of protectionists who seem to think that the one end of Government should be to develop manufactures and that in any tariff policy devised for promoting this purpose the interest of agriculture and other primary industries need not be considered.

I think that the gravest defect in the constitution of the Fiscal Commission is the absence from its midst of representatives of rural interests.

If manufacturing industry, without agriculture, etc., or reduced below par, has its dangers, an agricultural country without manufactures also suffers from very grave disadvantages, though these may not directly spell starvation and disaster to the same extent or with equal rapidity. In India the ravages of famine could be mitigated to a certain extent, were there in addition to agriculture another economic support, namely, manufacture. From the point of view of the defence of the country again the poor figure cut by Russia is a proof how inadequate an agricultural country is to maintain itself in the armed struggle for existence. The case with which different kinds of factories were converted for producing munitions and other war materials suggests the conclusion that a good growth of manufactures is a potential resource for war purposes.

On purely economic grounds it may be held that since raw materials are increasing demand everywhere and are fetching values which relatively to manufactures are rising more rapidly there is no need to alter the complexion of Indian economy so far as the acquisition of the maximum amount of wealth by direct production or trade is concerned. There is a good deal of force in this view. But the problem of protection, though partly economic, is to some extent also political. On

the whole therefore I am inclined to the view that the securing of a greater diversity of occupations in India and the promotion of manufacturing industry to the extent to which it could be supported by our own resources in raw materials would be beneficial. Labour also would benefit. I am emphatically of opinion that there are limits to which manufacture at the expense of agriculture could be carried and if these limits are crossed the risks would outweigh the advantages.

Since exports, speaking generally, are the payments made for imports, if imports become restricted as would be the case under effective protection, the volume of exports also would tend to contract. To what extent this contraction would be carried would depend on the elasticity of foreign demand and the growth of domestic manufactures. If the exports consist of necessities which they are bound to purchase perhaps, for some time bullion would flow into the country. But this will react on the prices which will produce further adjustment and on the whole the exports would tend to diminish. Though in the present conditions governing the demand and supply of raw materials the position of India is very strong and there is not much likelihood of a very serious contraction of exports, provided Europe recovers from its depression still that possibility and its reaction on the economic position of the rural classes will have to be considered. The policy of export duties also will have to be reviewed from the point of view of the producers. On the whole under import duties on manufactures and export duty on raw materials, rural interests would tend to suffer; and this is a consideration of the greatest moment which could not be ignored, in view of the large population affected and the poverty to which they had been subject from time immemorial. It is true that the poverty of the Indian people is due to various causes not all of which are economic. But in so far as protection could be expected to have any influence, I believe that temporarily at least it will either depress the rural classes still further or render their economical recovery slower and more difficult.

I am fortified in this view by the policy adopted by the agrarian parties in the United States and Canada. The Agricultural South never reconciled itself to the protectionist policy of the manufacturing North and this is often regarded as one of the contributary causes of the Civil War. In Canada the agrarian parties have either favoured free trade or only a mild form of protection.

But Russia seems to tell an opposite tale. Its weakness both during the war and subsequently is chiefly traceable to its woeful lack of machinery and manufactures.

With a view to recover as speedily as possible from the economic effects of the war foreign countries have raised their import duties and are doing their very best to increase production and to reduce consumption. which is another way of saving; are stimulating their exports. A country like India undefended by tariffs is likely to suffer from their policy, unless she takes adequate measures in time. I would suggest that pending the conclusions of this commission a duty of 25 per cent. *ad valorem* be immediately levied on all manufactures coming into the country except such as should be exempted in the interests of the country itself; as for instance. machinery and agricultural implements

On the whole, therefore, I favour the view that the country should be placed on a mixed diet of manufacturing and agricultural industries served in due proportion.

I am against a permanent policy of high protection. It is no use trying to establish industries for which the country is unfit. That would only mean the penalising of one section of the people for the benefit of another and in any case economic stability could not be maintained by such means. The proper function of protection is to help young industries to strike root and establish themselves without being exposed to the dangers, in the initial stages, of foreign competition. Sooner or later industries should stand on their own legs. For this protection with a time limit may be tried. The more usual course is to levy duties which would continue in force till revised by the legislature. This naturally creates the presumption that the duty will be there always till it is withdrawn. My proposal would tend to create the opposite presumption, namely, that it would be there only for a limited period unless it is continued thereafter by legislative enactment. This procedure is open to one objection which, in fact, applies to the whole scheme of protection of infant industries, namely, that since the state would be framing its budget on the basis of such added income it would find itself in difficulties when by the cessation of protection such income disappears. For this there are two answers to be given : (1) if protection is really effective the income from the duty must tend to diminish; for, as the local industry grows and develops, the need for importing the commodity would become less and less and when the local industry can supply the full demand of the country foreign imports of that commodity would cease altogether. Many of the arguments of the protectionists miss this point, namely, that if protection is effective no large revenue could be expected from the levy of import duties. Similarly with export duties. If the object is to stop exports and get them fully utilized in the country itself then obviously there would be no exports and the export duty could yield nothing. So the difficulty anticipated from the financial point of view does not appear to me to be convincing. (2) The second argument is that from a financial point of view it would be wiser to set apart the income derived from duties as far as possible for non-recurring expenditure, like school building and Sanitary and irrigation projects, though these do involve a small recurring expenditure for maintenance and repairs. I would suggest that non-recurring expenditure pertaining to education, sanitation and irrigation, agriculture and industries, should be supported from this source: Many of the difficulties of Indian finance are due to reckless raising of salaries and other forms of recurring expenditure.

Protection is likely to introduce corruption direct or indirect into our politics. I am, therefore, against having standing committees or advisory committees of the Legislature in the matter. Every proposal should go before the whole legislature on the responsibility of Government, who, of course, would consult experts, and if the legislature so desires it should ballot for a select committee. Standing committees or commissions for tariff revision cannot be deprecated too strongly.

In one of his budget speeches Gokhale pointed out how such help as has been given by Government for the protection of industry, as in the case of sugar duties, seemed to be specially correlated to the interests of European capital in India. His analysis showed that so far as sugar duties were concerned it was the European refineries that benefited. In the present political and economic condition of India this danger is not extinct; and an analysis of the nature of capital and management pertaining to the different industries will have to be prepared as part of the data requisite for forming an accurate judgment.

Nobody opposes the importation of foreign capital into India. On the contrary more has to be borrowed abroad than is now the case. The real difficulty relates to management, technical training and treatment of labour. The European manufacturer is as much a believer in secrecy of method as an ayurvedic pandit. Even in respect of the factories he has set up in this country he will not allow Indians to rise to positions of trust or authority or those in which an inside knowledge of the concern could be obtained. Till recently no Indians were associated in the Directorship of the Presidency Banks and even now their number is too small. There have been loud complaints that the European managed Banks and the railways favour European interests to the detriment of Indian. If foreign firms could be made to bind themselves to associate Indians in their management and in other ways to help to educate India industrially there ought to be no objection to their being established in India. I understand that some such policy as this was followed in Japan with success. In return for the economic hospitality that India is prepared to show the foreigners ought in common decency to treat his hosts with more consideration. In respect of the relations between European management and Indian labour the situation is simply deplorable. I do not mean to say that the European management pays less than the Indian; or that weighed in the material balance what they give is less than what Indian firms in the same line pay their labourers. But there is something lacking which cannot be compensated for by material advantages. Colour prejudice and racial arrogance have in too many cases poisoned the sympathy that ought to exist, though honourable exceptions are not rare. If economic exploitation by Germany was a fact and civil, as was acknowledged by all during the war. how should it be either impossible or good in the

case of other countries; and should it not be stopped or checked.

The question whether prices could be guaranteed by which the agriculturist could be indemnified for the loss he may sustain on account of export or import duties may be considered in this connection. The war has shown how completely the state could regulate industry and prices; and though there is much to be said against perpetuating a war régime in peace time, the agricultural interest is of such overwhelming importance in this country that its conservation and promotion must be regarded as the first duty of the state. But there is one difficulty. Rural producers are many; they have not learnt the art of organising themselves and are further in the grip of money-lenders. As state help would be diverted to the pockets of the sowcar, indirect methods of assisting the rural producer by means of co-operative societies and industrial and land banks which would loan money for long term and at low rates of interest and also provide for recovery by small instalments, may have to be tried. The Hypothec, Industrial, and Yokahama Specie Banks of Japan are instances of organisation which have materially helped the development of agriculture, manufactures, and export trade respectively.

India need not be frightened at the prospect of retaliation by foreign countries. The home market of India is a large one. It comprises one of the largest areas of free trade. Our resources of raw material are varied and extensive, excepting probably in regard to a few metals like copper and tin; and if foreign manufacturing countries retaliate against India they would be only firing a boomerang.

Imperial preference is not likely to benefit India much, and it may even produce undesirable complications. Before the war India had a much larger export trade with foreign countries like Germany than with England. Owing to the impoverishment of the continent these figures have undergone a big change and are not likely to be restored in the near future. Over half of the Indian export trade is with countries outside the bounds of the British Empire, and it is just possible that continental Europe and Russia, if and when economic revival sets in, would demand Indian goods even more eagerly that they did before. As India is a poor country it can ill-afford to sacrifice economic advantages. Much of the material required for our railways and in other connection could be bought owing to exchange and other conditions far cheaper in Europe than in England. And it would be criminal on the part of India to throw away these advantages until at all events she has so well developed her resources as to reach a footing of equality with the more prosperous countries in the world. Further, if India should ever retaliate on her own account it is more likely, things being what they are, to be directed against some of the British colonies than Japan or continental Europe. Furthermore the empire consists of large number of countries varying in climate and conditions and possessing therefore special or distinctive economical interests. It will not be easy to manipulate our tariff so as to give preference to each one of these constituents in respect of the particular interests that they are concerned with and so as in the bargain to obtain some equivalent advantage to ourselves. The case of England is different, not because of economics but owing to political or sentimental considerations. England does deserve to be supported to a certain extent by India. How this support could be given without arresting the development of Indian industries is a different problem to solve. Canada and Australia have given effective protection to their own industries even as against England but at the same time giving her preference to the extent that is involved in taxing goods from other countries at a higher rate. Whether such a preference is more nominal than real is open to discussion. As India is a grand self-contained economic unit quite able, if her resources are properly developed, to do without outside co-operation in her economic progress, it would be better to leave her alone till she has realised full self-determination and self-expression without dragging her into entangling preferential arrangements. Preference should wait till India has realised her economic individuality and could bargain on the footing of an equal acting under her own pleasure.

Coming to the specific measures I would place the development of an Indian merchant marine as one of the first objects to be pursued and whatever protection may be required for this purpose should be extended unstintingly.

In regard to quite new industries which are more or less of the nature of an experiment import duties may not be so effective as bounties. The superior advantages of bounties relatively to import duties in such circumstances are too well known to need narration. It is a matter for consideration whether, for instance, the manufacture of rubber products may not be encouraged in this way.

In taking stock of the resources in raw material it would be well not to leave altogether out of account raw materials produced in the neighbourhood of India and which, therefore, could be transported into this country at less cost than to England or Germany. For instance, tin, large quantities of which are exported from Singapore to European countries. It ought not to be impossible to devise means by which some portion of this supply could be diverted into India.

Guaranteed purchase by Government may well be tried in some cases like metallurgical and mineral industries, in addition to the levy of import duties. Amongst the key industries none hold a higher position than those. In this connection every attempt should be made to manufacture all the equipment needed for military and naval purposes in India itself.

I would strongly deprecate export duties on grain crops. This is a favourite item in the so-called "nationalist" finance, but Mr. Datta's argument on this point have never been answered. It is good to encourage the production of an exportable surplus, which might, in case of need, be reserved for home consumption.

I shall now proceed to indicate briefly my answers to the questions raised by the commission.

16459. *Q.* 1. The foregoing statement is indicative of my position.

16460. *Q.* 2. The resources of direct taxation have not yet been exhausted. Income-tax, succession duties, etc., may be revised so as to bring in a larger yield; but the land tax should be made permanent, though in exceptional cases a special cess proportioned to that tax may be levied. Tariff also is necessary and both forms of taxation should be combined alike for purposes of revenue and equity.

16461. *Q.* 5. The past tariff policy has done much injustice to India. In many respects it was unconscionable. We ought to adopt a new system and also place it under a new agency in which Indian interests should have absolute command.

16462. *Q.* 6. Depends on the article and whether the motive is protection or revenue. If protection then no excise duty should be levied.

16463. *Q.* 8. Generally speaking, duties tend to raise the price to the consumer and as India is a poor country this aspect of the question should be given every possible consideration, though it cannot be regarded as the only determining factor.

16464. *Q.* 9. Already answered. But the nature of the industries, their importance in national economy and the possibilities of their success must be carefully investigated. Though prices may rise, wages too may follow suit and occupation may become more stable. At the worst the country will have to pay a price for its past neglect in developing industries; for all transition involves a penal fee which has to be borne by the nation.

16465. *Q.* 10. In view of her large and varied resoures India could be far more self-contained than she is at present; but I doubt if she can ever be absolutely independent. So far as my knowledge goes, for a long time to come she will have to depend on foreign countries for metallurgical products and machinery. Scientific and Technological discoveries in other countries are bound to influence foreign trade; and therefore economic isolation is not consistent with progress.

16466. *Q.* 11. I would exempt machinery for the time being, while encouraging its production by other means like bounties, agricultural implements, medicines, manures, sugar-cane mills and oil-presses, etc.

16467. *Q.* 12. I would select for protection or further protection the following:—

(*a*) *Cotton.*—About 33 crores worth of raw material is still imported. This represents the possible field of expansion to manufacture without recourse to importation of raw material. But as emphasized in the general statement

something may have to be done to protect the agriculturists also.

(*b*) Jute on the same principle. Sugar, forest products including rubber and paper; leather manufactures; oil industry, etc.

16468. *Q.* 13. Yes. The general principles of selection are :—

(1) Our resources and exports of raw materials.
(2) Imports of cognate manufactures.
(3) Importance from the point of view of the defence of the country and war requirements generally.
(4) Merchant marine which I consider to be of cheapest importance.

16469. *Q.* 14. I would in the main confine protection to such industries as will be able in due course to face foreign competition; provided such foreign competition is fair and not artificially stimulated as by bounties, etc. But in the case of war industries I would give continuous assistance if necessary.

16470. *Q.* 15. Generally speaking "yes", but the nature of the commodity thus dumped should be taken into account. If it is the raw material for a manufacture established here and does not compete with our own cognate supplies there may be no need for special protection. I take it that bounties, subsidies and transport concessions could be ascertained by our consuls and other representatives in foreign countries. The necessary protection where it is resorted to may consist of increased duty on the particular imports concerned and from such countries.

N.B.—India should have her own consuls abroad; that would not only assist our material development but train Indians in duties hitherto kept out of their hands.

16471. *Q.* 16. Cotton hand-loom industry could only thrive as a home industry, intended to supplement the earnings of the household and minimising expenditure. At present it supplies a third of our cloth. In some respects the hand-loom cloth is better and more durable than mill-made cloth. Though I wish it to be maintained I do not see how this is possible as the competition from which it suffers is not external but internal. An excise duty on mill-made cloth is not feasible. But the hand-loom will as a commercial proposition still have a field in regard to the higher and more artistic variety of cloths and sarees.

16472. *Q.* 17. There is this danger and we have to, with appropriate modifications, adopt the measures found to be necessary in America and other protectionist countries. The subject of trusts is too large to be answered in a short note, but it is no longer a mystery requiring novel investigation. It is true that trusts have shown a terrible genius for evading or circumventing laws intended to prevent the objectionable part of their operations. The only remedy is for the state also to continue to be equally vigilant.

16473. *Q.* 18. Yes. I would stipulate for facilities being given to Indian capital and for the association of Indians in the protection and management of such firms. Here again I feel that state legislation or regulation would not be easy to execute. But Indian capital and management too are not so sleepy as they used to be and with the aid of such measures as were adopted in Japan we ought to be able to secure in a large measure, though not completely, a national character to our industries. I am not opposed to the importation of foreign capital but to some of its avoidable concomitants like foreign management.

16474. *Q.* 19. Yes. Such conflicts will arise. There would be some difficulty in adjusting them, but if the state has not forgotten its experiences in the way of industrial regulation gained during the war those difficulties will not be found to be insuperable. Nobody suggests that protection could do equal good all round.

16475. *Q.* 20. Yes. Otherwise there would not be any protection.

16476. *Q.* 21. More difficult to answer since the level of prices depends upon so many other circumstances but so far as the duty is concerned it may be regarded as having a tendency to increase the price.

16477. *Q.* 22. Yes, under conditions. I would not like to see the rural classes ignored in these arrangements.

16478. *Q.* 23. Yes. Salt; food-grains excepting some manufactured foods which are imported chiefly for the consumption of the rich; medicines, etc. Generally speaking, articles included in the budget of poor people and which they will have to buy in practically the same quantity even if the price does rise should be exempted from duty.

16479. *Q.* 24. The industrial wage-earner will probably get higher wages,

(*a*) but whether it could cover the whole of the increased cost of the living is a debatable point.
(*b*) I am not so sure about the agricultural wage-earner.
(*c*) Middle classes engaged in industries are likely to have a net advantage; but those having settled incomes like Government servants may suffer a little. Here again the effect on those earning Rs. 200 and above may not be much.

16480. *Q.* 25. This is a difficult question to answer. One effect may be a reduction of foreign trade. But then foreign trade is no index to the economic prosperity of a nation, or I might say it is not the only index. For a time there may be a contraction of foreign trade but then under protection many countries like Germany have increased their foreign trade enormously. The point is that tariff is only one of the factors governing foreign trade and is not all. For example, an invention which is appreciated all over the world may help exports. My belief is that the strength of the demand for our raw materials being what it is our exports may not suffer much and therefore our general commercial position will probably be improved. Even in cotton in which we have no producer's monopoly, with the world's demand for it increasing as it has done and Japan clamouring more and more for it, I do not anticipate any fall. On the contrary with local demand stimulated by protection and foreign demand kept steady through necessity the prospects of raw cotton may be very bright. In regard to ground nuts the competition of West Africa is a serious complication.

16481. *Q.* 26. Yes, in a measure. But I do not know what the foreign commodities are for which we have to sell our natural advantages. If it is said "machinery" then since so many nations in Europe and America are competing with each other for exporting machinery to India we need not be under the apprehension of being hit at this our weak spot for the moment. The fundamental fact is that the manufacturing nations are more dependent on the nations producing raw material and suffer from greater competition amongst themselves than is the case with the latter.

16482. *Q.* 27. In a general way "yes."

16483. *Q.* 28. The tariff will have to be far more detailed and will have to take into account the tariffs of foreign countries in their relation to imports from India or exports to India.

16484. *Q.* 29. I am totally and utterly opposed to standing committees. Government should on their own responsibility introduce a measure in the legislature. It should be debated in open legislature. But if the legislature so desires it may ballot for a select committee, and any such select committee should conduct its proceedings in public and publish its report if possible within two weeks from the date of its appointment. I am very apprehensive about corruption.

16485. *Q.* 30. Where we enjoy a producer's monopoly as in the case of jute, export duties may be levied for raising revenue. But this may also be employed for protectionist purposes as suggested in the general statement.

16486. *Q.* 31. Effect on export trade would depend on the elasticity of foreign demand. They can be imposed without injury to a trade. Jute is a classic instance; but cotton and forest products like timber, sandalwood, hides and skins may all be considered to be more or less legitimate points for the application of export duties, though in the case of these latter, effects are likely to be more complicated than in that of jute. Oil seeds, coffee and tea suffers from the competition of foreign production like West Africa, Brazil, China, etc., respectively.

16487. *Q.* 32. Yes. But I apprehend that the producer of the raw material will suffer. I have already quoted instances. As I have said again and again the raiser of raw material would have to be compensated for in some way. Is any price guarantee possible?

Or showed indirect methods like Land Banks and organisation of co-operative production and marketing be tried? If the producer of raw material is put to loss, production cannot be kept up. On the whole I would advise a very cautious policy with respect to export duties.

16488. *Q.* 33. I am opposed to this entirely. I am in general agreement with Mr. Dutta's arguments which I take are well-known. The agricultural interest will suffer and seeing that the agricultural interest has been the Cinderella of the Government household for ages past and that it has borne more burdens and enjoyed less fruits than the urban interests, such a course cannot be too highly deprecated.

16489. *Q.* 34. This is not an easy question to answer since trade does not always travel in a straight line, but may cut a curve through another country. If, say, France imposes a heavy duty on any manufacture from India we could no doubt hit France through an export duty on ground nuts to some extent which are chiefly exported from our shores to Marseilles. But this course may be open to two objections. One is that France may get it through some other country, though even this would cost her something. And again we may be doing no good to the particular manufacture hit in that manner. In any case there is very little that we send out in the shape of manufactures relatively to our total trade, and I do not think that this consideration is of any special importance in a general discussion on tariff policy. From the figures of 1918-19 I gather that excluding manufactured jute which I suppose no country would care to penalise, the total exports of what may be called manufactured articles, but including leather marked at 9·70 crores, does not come up to 25 crores of rupees. And this question may be postponed till our manufactures are more highly developed.

(B) *Imperial Preference.*—I have already discussed this question in the general statement, and the following answers are intended only to supplement the more general discussion.

16490. *Q.* 35. I am not very keen on Imperial Preference for the reasons already given. India is too poor and too backward for such self-sacrifice. In the past she has sacrificed enough to Great Britain. It is time that she at least repaired the damages suffered in the past and drew level with other countries before venturing on experiments in voluntary sacrifice.

16491. *Q.* 36. If preference is to be adopted I certainly would favour the United Kingdom to whom in spite of all differences India is under vast obligations and owes a grateful duty. As for the other parts of the Empire it would depend on how they treat us.

16492. *Q.* 37. If preference is to be effective India must suffer a loss. As for retaliation by foreign countries I have already stated that there is no need to take it seriously.

16493. *Q.* 38. I am not in favour of preference but if any such should be given, say, some preference may be shown on manufactures imported from England such as iron and steel, tin, brass, copper, machinery, hardware, woollen goods, rubber goods and railway plant. But my fear is that the English manufacturers will continue to exploit India; and the recent revelations in regard to railway purchases have not fortified my confidence in their fair dealing. It will be remembered that low quotations from some foreign countries were rejected in favour of extremely high quotations from England which our High Commissioner afterwards succeeded in getting reduced. But the Indian tax-payer has been put to enormous loss which he could ill-afford. My feeling is that until India has been put on a better basis economically, and has improved in her prosperity, the question of preference should be kept in abeyance. It seems to me that if preference is to be a reality, protection will fail of its purpose, wholly or partially, and that if protection is to be a reality the preference given would be more nominal than real. For the present at any rate we have to concentrate on protection.

(C), (D), (E) and (F).—These questions are evidently addressed to men in business, which I am not, and therefore I beg to conclude my statement here.

Oral evidence dated Madras the 4th February 1922.

16494. *President.*—*Q.* In the first paragraph of your written statement you say "The need for keeping an economic grip on undeveloped countries has been one of the causes of the unconscionable imperialism and militarism of Europe and its reaction on the character of European nations has been deplorable from the point of view of humanity." Will you please explain a little more in detail exactly what you mean?

A. It is a matter more of history and of opinion in connexion therewith. What I mean to say is that the amount of exploitation that is going on of undeveloped countries in Africa for instance, has been to a very large extent due to the need for securing food and raw materials for countries which are entirely dependent on foreign sources for the supplies required for their manufacturing plant, and that that has been the cause of what is called "Economic Imperialism" which in its own way has not been over-mindful of the rights of the less developed peoples in the world.

16495. *Q.* What is the fiscal policy which you would recommend?

A. It is contained in the last paragraph. I would like to see a balance struck between the manufactures of the country and its raw material production and I would not like manufactures to be so highly developed as to necessitate a grip of foreign markets for the sake of the raw materials, as to necessitate your having control of some other countries or markets for the sake of raw materials.

16496. *Q.* "For the sake of raw materials," what does that mean? Would you develop industries for which India has got natural advantages?

A. Put it that way and to the extent of such advantages.

16497. *Q.* That is to say, your idea would be that steps should be taken in India as far as reasonably possible towards the development of industries as well as of agriculture.

A. Precisely.

16498. *Q.* One should not be given priority over the other.

A. That is it.

16499. *Q.* Then in regard to the establishment of foreign firms in India you say "If foreign firms could be made to bind themselves to associate Indians in their management and in other ways to help to educate India industrially there ought to be no objection to their being established in India. I understand that some such policy as this was followed in Japan with success." Will you please explain first what policy you refer to as having been followed by Japan with success? And the second question I want to ask you is whether the measures you advocate can be practically carried out.

A. Well, that will depend on the attitude of Government. In Japan Government took a very real and a very live interest in developing industries through the agency of its own nationals and it provided expert assistance to its people. It started modern factories which after they reached a certain stage of development were handed over to private enterprise and in various ways it stimulated enterprise on the part of its own citizens. When I was in Japan in 1913 I was told that they were negotiating with three or four important firms of European standing to open branches there but under certain conditions such as having half the number of Directors of that branch Japanese and associating in the management (even more important than directorship is the managing agency so far as the learning of industry goes) of some Japanese business men and so forth. I think such a policy as that is not beyond the pale of practical politics. I would distinguish between the question of capital and that of management. It might not be easy to secure a definite share in these flotations for Indian capital because there is nothing to prevent Indians from selling these shares afterwards. The foreigners may buy them out but broadly speaking, the ideas I had in my mind are as follows: First, all these foreign firms should be obliged to incorporate under the Indian Companies Act, and they should take out a license. You know how Indian traders were badly hit in South Africa because they felt that the Indian trader was competing only too successfully with the English shopkeeper, and so on. There is no doubt that there was

a public opinion which in some ways almost developed to the extent of a boycott and there was also enterprise on the part of the European rival but at the same time law too was brought in. I don't see why if we are placed in similar circumstances here we should not take a leaf out of that book. So, I would suggest this licensing or if you prefer the word which would sound better, incorporation under the Indian Statutes and then there should be some conditions regarding the number of directorships that ought to be reserved for Indians and if there is only a single managing agency some provision must be made to have an Indian associated with it and if it is a firm of managing agents you might stipulate a certain proportion of them to be Indians. You might also stipulate for these firms taking in some apprentices whom Government or the Departments of Industries might depute; and another idea that I would throw out is (this condition covers also the question of nationality of capital if one might use such an expression) a graduated corporation tax, the gradation being according to the nationality of capital and management. Well, when I discussed this with the Japanese gentleman, he told me that if these restrictions are imposed, perhaps, the foreign firm would not care to open any business here. I said opinions might differ as to whether it was a matter for regret or for rejoicing.

16500. *Q.* And you think these measures can be practically carried out?

A. Provided the State has a will in the matter.

16501. *Q.* Assuming that the Government of India is anxious to meet the wishes of the Indian public in this respect and it comes to the conclusion that it is in the best interest of India, do you think that a measure like the one you have advocated can practically be carried out?

A. Yes.

16502. *Q.* As regards your answer to Question No. 5, what is the new agency which you advocate in which Indian interest should have absolute command?

A. The new system is what is broadly called the system of protection in which our tariff policy, and not merely the tariff policy, but all the direct and indirect methods by which Government could affect the trade and the industry of a country for better or for worse would be directed to promote primarily the Indian economic prosperity. And as regards the agency what I would say is that it should be Indian. You should have your own Consuls abroad, and the consular reports should be published. Even in the Central Government there ought to be a Ministry responsible to the legislature which is bound to be absolutely Indian in character and outlook, and by securing such responsibility to the popular will we would be avoiding the mistakes, —well-intentioned in some cases probably, but I am not sure whether they were so in all cases—made in the past. There is one other thing that comes under another head, and I do not know whether you are going to raise that question, and that is in regard to the standing committee for the revision of the tariff and so on.

16503. *Q.* That is in answer to Question No. 29. You say you are utterly opposed to it.

A. If there is going to be one, there ought to be a three-fourths majority of Indians on it, including also a good number of the representatives of the rural interest. Personally, in case this ministerial system with responsibility to the popular legislature is introduced, I should not be for a standing committee at all for the reasons I have already given.

16504. *Q.* And your new agency for industry and commerce in the Central Government should be in charge of a Minister responsible to the legislature, who would have full powers to develop Indian industries on national lines. Is that what you mean?

A. Yes.

16505. *Mr. Narottam Morarjee.*—*Q.* Will you please tell us if America and Canada, in fixing their tariff policy, have succeeded in adjusting the interests of agriculture and industry?

A. Have I made that statement?

16506. *Q.* No. I am just asking you.

A. I do not know whether they have ever been able to achieve a perfect balance in that matter. There is a certain conflict of interest between the extractive industries and the manipulative industries. What I found was that in America and Canada the agrarian parties were a trifle more inclined to free trade than the industrialists, and it was to meet their wishes that some, including I believe Sir Wilfrid Laurier, proposed lower duties than were prevalent.

16507. *Q.* You say that the land tax should be made permanent. But do you think that the ryot in Bengal is better off than, or is equal, to the ryot in the ryotwari areas?

A. When I say that the tax should be made permanent, I am not committing myself to the zamindari system of permanency. There may be different varieties of permanency, and the evils of the zamindari system must be met by other remedies and not necessarily by the giving up of the principle of permanence.

16508. *Q.* You say that the poverty of the Indian people is due to other causes which are not all economic. Can you tell us what the other causes are?

A. Certainly. When there is matrimonial conscription and economic improvidence I should certainly put that thing as one of the cheapest things.

16509. *Q.* And the second?

A. Our social habits. We waste time over so many holidays. Hindu civilisation has not been moulded by economic ideals or economic considerations.

16510. *Sir Montagu Webb.*—*Q.* Mr. Reddi, do you speak on behalf of any association or body in Madras?

A. At the time I wrote the paper I represented myself and nobody else.

16511. *Q.* Have you had any commercial or trading experience?

A. Not in that way. I underwent a course of economics under Professor Marshall and at the time too when the question of protection and free trade was the burning question of the day. It was about 1904: then he lectured to us on the new blue book—we called it the fiscal blue book—which was published in connection with the agitation of Mr. Chamberlain. Then, I was myself a lecturer for the College classes in the colleges affiliated to the Madras University. Then I have been Chief Examiner in Economics. So, I am only a theorist at best.

16512. *Q.* Your paper is written as the result of your studies of the problem generally?

A. Yes.

16513. *Q.* Well, I congratulate you on your paper. I think it is very clearly written, and I can understand your point of view. You are by no means an extreme free trader and you are by no means an extreme protectionist, and according to my classification you are a "discriminator."

A. I think a great part of the woes of Europe is due to the extreme protectionist theory. That is the view I hold.

16514. *Q.* As a result of your studies, do you think, or don't you think, that the effect of tariffs has been very greatly exaggerated. Many people, I notice, think that free trade produces wonderful results and on the other hand, I meet with other people who think that a policy of protection will convert the world into an economic millennium. What is the result of your studies? Do you expect great results?

A. I do not say that by itself it would produce great results, but it would create conditions under which, if there is enterprise and efficiency, you would have great results.

16515. *Q.* Are you for a free trade or a protective policy now?

A. In England I was a free trader, and I would be that in England to-day, because there you practically depend upon a system of double exchange for your economic life. You have to get the raw materials and to send out the manufactured articles. Here we are differently situated. We have our raw materials here, and I am not very keen about sending our manufactures outside. That amount of development as would consume our own raw materials I would be content with.

16516. *Q.* You want to make India a self-contained country?

A. I have stated the limitations. I do not like that self-containedness as an economic ideal. But if I have to choose between a self-containedness of this character and an under-relationship in which one nation is practically to commandeer the raw materials of another nation, I would certainly prefer the former.

16517. *Q.* Can you give an instance of commandeering?

A. Well, I should say these are controversial points, and I do not expect we shall agree.

16518. *Q.* I should like to know what you have in mind.

A. For instance, the policy of certain European countries towards rubber in the Congo.

16519. *Q.* That is the kind that you had in mind?

A. Yes. Recently a book was published by certain businessmen regarding what is being done in East Africa generally. We may or we may not agree, but that is the kind of feeling.

16520. *Q.* Suppose a trader went along in the open market and purchased a commodity and paid for it, would you call it commandeering? If I walked into the market and purchased 100 tons of rice and paid for it, would you call that transaction commandeering?

A. It will all depend upon what is meant by an open market. If it is a market in which the other people are as clever and businesslike and economically as well developed as you are, it will be an open market. Otherwise it will be something like a bargain between the landlord and the tenant. It is like the freedom of contract, where the freedom is all on one side and all the contract on the other.

16521. *Q.* Could you apply your expression to the very transaction which I mentioned? Would you call it commandeering if I went into the open market and purchased a hundred tons of rice at such price as the merchant would receive for it?

A. In Madras I would call it. But in Bombay I would not call it. In Bombay the people are supposed to be exceedingly clever in business.

16522. *Q.* There you think I should be the victim and they would commandeer my money?

A. Yes.

16523. *Mr. Coyajee.*—*Q.* In your interesting memorandum you express an apprehension that on the whole under import duties on manufactures and export duty on raw materials, rural interests would tend to suffer. Is that apprehension shared by any practical agriculturist?

A. I have just had a look at the memorandum submitted to this honourable body by the Ryotwari Landholders' Association. I find they share the same apprehension, and they have got a greater right for this apprehension than any other public body in South India.

16524. *Q.* In your answer to Question No. 33 you say you are strongly against export duties on foodgrains. But might I submit for your opinion a certain contention which has been advanced in defence of such export duties? The argument urged has been that India has no real surplus of foodgrains to export, and therefore we should put export duties and try to keep the foodgrains in the country for the benefit of the people of the country. The foreign countries have more money and they can buy at a higher price.

A. I am very glad you suggested to me a point, which I am willing to take as a correction to my note. If in times of scarcity there is an apprehension of famine and if our total supply is not equal to the demand then naturally we will have to keep it here. Then it becomes a war measure and no longer business. But what I do desire is that such a thing should not be brought forward as a proposition which could be justified on purely economic grounds, because on your own hypothesis the agriculturist suffers.

16525. *Q.* It is not my hypothesis: it is the other gentlemen's hypothesis.

A. Very well. What I would propose under such conditions is a war measure under a price guarantee. It really comes to this: by putting on an export duty the State is commandeering the supply for the good of the citizens and you have to indemnify the producers for that.

16526. *Q.* And then the export duties will be only for exceptional circumstances?

A. Yes. Then also something should be done to indemnify the agriculturist.

16527. *Q.* So also in the case of export duties on commercial crops, you would also proceed with caution where there is competition?

A. Yes.

16528. *Mr. Seshagiri Iyer.*—*Q.* There is only one question. You are living amongst agriculturists?

A. I am an agriculturist myself.

16529. *Q.* Is there any fear that by establishing industries agriculture will be depleted of labour?

A. I do not think there is much fear of that. For one thing, we have available resources in the shape of the large number of people who emigrate year after year from our own country, and these resources have since become augmented by the compulsory repatriation of some of them.

16530. *Q.* Not only that: you will also find as a matter of fact that these people are only working for half the year; they are not working for the whole of the year and if scientific methods are applied to agriculture you won't require so many men.

A. I do not think that agriculture will suffer by industrial development.

16531. *Mr. Mant.*—*Q.* Mr. Reddi, holding as you do that the rural classes would suffer from protection why do you recommend an immediate levy of a duty of 25 per cent. all round?

A. That is purely as an emergent measure. This is how I came to suggest it. At present in this confusion of conflicts I do not know where I am. All that I know is that the European nations are doing their level best to cut down consumption and to increase their exports. I have suggested this measure not on a clear understanding of the situation, but because I want something to be done immediately to give us time to think out a policy so that meanwhile our interests might not suffer. I suggest it purely as an emergent measure in view of the policy of the European nations.

16532. *Q.* And you want it as a temporary measure?

A. Very temporary.

16533. *Q.* Then, a little lower down you say that whenever you put on a protective duty it should be of a temporary nature. You say " My proposal would tend to create the opposite presumption, namely, that it would be there only for a limited period and continued thereafter by legislative enactment. Would you fix a definite number of years for a duty when you put it on?

A. Perhaps, if I gave an illustration I could make myself clear. Let us take the rubber or the oil industry for which we are supposed to have plenty of raw material here. If we want to develop these industries by means of a protective tariff, under the usual procedure of the legislatures what happens is that a duty is levied and it is practically kept on and on indefinitely, and you do not provide an urgent stimulus for the manufacturer to be up and doing immediately to derive what benefit he could from that measure. Now, this is the idea which I venture to submit to the Commission. You say that these duties will be there for 10 years or 15 years, as the case may be, the presumption being that after that time they will cease unless re-enacted, whereas the presumption under the ordinary course is that the duties would remain on until removed. I suppose in effect and in substance there won't be much difference between the two, but I think under my proposal you would be providing a kind of spur and stimulus to the manufacturer.

16534. *Q.* The duty would be imposed by the Legislative Assembly, would it not?

A. I should think so.

16535. *Q.* The Assembly would have a life, as a rule, of 3 years. As an assembly which has only a life of three years, has it any right to commit its successors for a period of 10 or 15 years to a continuance of the duty?

A. I see: it is only a technical point.

16536. *Q.* I am not asking anything technical. I am asking a practical question. In all those countries where there are conflicts of interest, in the matter of protection, *e.g.*, in America, when a new party comes in you are liable to have a revision of the tariff. When a party in power is in favour of a particular tariff, they cannot bind the other party by laying down that the duty shall be in force for 15 years.

A. I feel the force of the point you have raised, and I think my idea should be revised in the light of your remarks. If my object could be secured by other means I should be satisfied. You know when a duty is levied prices are affected and the merchants and middlemen sometimes reap a profit and a big one, but we must so adjust things as to give a spur and stimulus to the manufacturer to set up his industry and to make it a success. I am thinking only of those cases in which after enquiry you are satisfied that under the conditions prevalent in the country particular industries could be developed in a reasonable time.

16537. *Q.* Would the Legislative Assembly have power to bind the Government which succeeds them?

A. I admit your objection. Under our present rule the same subject may be brought forward for discussion the next year. There is nothing to prevent the policy being revised the next year.

16538. *Q.* So you have to modify your statement?

A Yes. I quite see the force of your objection.

16539. *Mr. Coyajee.*—*Q.* I might suggest to you that in the early tariffs of America provisions similar to those suggested by you were incorporated for reducing the duties within a certain number of years.

A. I see the force of your remark. Though there may be a change in Governments and legislatures, certain things which are laid down are carried on as a kind of moral obligaton by succeeding Governments.

16540. *Mr. Jamnadas Dwarkadas.*—*Q.* Now, Mr. Reddi, this power which the Legislative Assembly has got of reducing the duties every year,—is not that a great safeguard against the dangers of protection which you rightly speak of?

A. It may cut both ways. If your manufacturer has no certainty that the duty will be there how could you expect him to start industries?

16541. *Q.* If you fix five years, how is it going to help the manufacturer? The manufacturer will say: "Probably it won't be enough to prosper within 5 years" and he won't start the industry.

A. But my hypothesis is that you would select those industries for protection which on examination are found capable of developing in course of time with protection only in the infant stage. And I further assume that our economic astrologers would be able to forecast when the infant stage would be got over.

16542. *Q.* You yourself speak of the dangers of protection, and you have elaborated them in your note. Suppose a certain industry is given protection for a certain number of years, but that those who fixed the duties never foresaw the dangers. If, in the course of two or three years, it is found that that protection is a real danger to the consumer, under the present procedure that danger can be removed at once by removing the protection.

A. I quite agree with you. Elasticity has its advantages, but at the same time it produces uncertainty. I do not press my point: I leave it entirely at the mercy of the Commission.

16543. *Q.* In the words of Sir Montagu Webb, you are a discriminator. You think that India cannot solely depend upon agriculture.

A. Undoubtedly.

16544. *Q.* You have pointed out the case of Russia where this sole dependence on agriculture has proved a great danger. At the same time you have pointed out the danger of over-industrialisation.

A. Austria is the classic example.

16545. *Q.* I would ask you this question. Considering the present state of India, do you think you are in a position even to consider the evil effects of over-industrialisation?

A. Not at present. But as we are here to lay down a policy I think it is better to keep that in view also. The danger is ahead.

16546. *Q.* And therefore, am I right in inferring that so far as the present state is concerned you would at once recommend a policy of protection?

A. Certainly.

16547. *Q.* As to the danger, that you see ahead, which every statesman ought to see don't you think that the varied interests in the Indian legislatures will be able to safeguard the interests of the masses?

A. It seems to me that while that is so, it would be desirable that in the particular standing committee that figures in the questionnaire as the body which ought to be set up to act the part of an expert adviser, a third of the membership should be people connected with agriculture and other extractive industries. Usually what happens is that these interests are ignored in such committees, and if you are going to have a standing committee at all, I would see in it a certain number of industrialists and businessmen, and equal number of men connected with the extractive industries like agriculture and coal-mining and things like that, and a few experts, theoretical like economists and practical like successful magnates. Such a standing committee would undoubtedly command the general confidence of the country. I would not like to see it overweighted by industrialists. That was my submission.

16548. *Sir Maneckjee Dadabhoy.*—*Q.* From your interesting paper I find that you think that import duties on manufactured articles and export duties on raw materials will tend to affect the rural interests. I am not able to understand this. The rural population make very little use of imported articles and therefore they will not be affected by the rise in the prices of imported articles on account of the duties. As for exports, we generally export articles in which we have a monopoly and for which there is a foreign demand. How then will it affect the rural interests?

A. In regard to the second point, Sir, you will find that I have not ignored it altogether. I have said that we might not suffer very much because we do not export manufactures, but we export raw materials which are more or less in great demand in foreign countries. There are certain raw materials in which there is international competition, and if export duties are put on such articles it means that you prevent us from having a foreign market where we will get a higher value for our products. In regard to jute and a few other things in which we have a monopoly, I would not mind. Sandalwood for instance, though Brazil has sandalwood yet the Indian sandalwood is of a special quality, the like of which is not found elsewhere and compared to which the Brazil sandalwood is far inferior. But the same thing cannot hold good about coffee or tea.

16549. *Q.* In order to stimulate industries, bounties will be more helpful than high import duties?

A. I will give a concrete thing I had in mind. I suppose the crux of the situation in India is machinery. Now we have a duty on iron and steel works. Import duties may to some extent help in inducing the people to go in for the construction of machinery. But the duty by itself is not going to produce machinery. We want the Consulting Engineer to draw up plans, etc. I therefore say that if you want to give any liberal help, I would suggest that you may give a bounty.

16550. *Q.* What do you mean by saying that it would be more effective?

A. I mean that a bounty is a direct incentive to production whereas an import duty is an indirect incentive.

16551. *Q.* In case where this protection is to be given, would you give continuous protection to war industries?

A. Yes.

16552. *Q.* Do you regard steel as a war industry?

A. I would regard steel and some other metallurgical industries as war industries and I would give them continuous protection and in cases for instance, of railway plant, engines, machinery, etc., I would in addition give bounties for a certain number of years.

16553. *Mr. Jamnadas Dwarkadas.*—*Q.* You say "coming to the specific measures I would place the development of an Indian Merchant Marine as one of the first objects to be pursued and whatever protection may be required for this purpose should be extended unstintingly." Would you make any definite proposals as to how the protection is to be given or how the mercantile marine is to be developed?

A. It can be done by various concessions that the State might give. I know in point of fact that in Japan bounties were given on a twofold basis, on the tonnage constructed, then premia on the dockyards. They gave also bounties on the mileage of the voyages done by the Japanese ships. They have got very strict rules in regard to the transferability of the share capital. I think that the State here can do a great deal to revive this ancient industry. The nation which is weak in its carrying trade suffers as much as an industry could suffer through difficulties of transportation by railways and so on.

16554. *Q.* You think that the nation is weak in its carrying trade. Is this weakness artificially created by the policy of Government or is it natural?

A. I do not know how to put it. All history is artifice.

Witness No. 110.

Rai Saheb G. SUBBIAH CHETTY, Madras.

Written statement, dated February 1922.

16555. *Q.* 1. I favour a policy of free trade, but with certain restrictions and reservations. Free trade I advocate only in respect of countries whose resources, both natural and artificial, are equal I have no objection to the levy of import duties for the purpose of obtaining revenue.

16556. *Q.* 2. Import duty is a more suitable form of taxation for India than direct taxation. The system of accounts kept by retail dealers in India is no help for the levy of any direct taxation. It tends to dishonesty and corruption.

If fresh taxation were necessary, I would prefer an increase in customs revenue. Such taxation is more easily levied than direct taxation and does not cause any hardship.

16557. *Q.* 3. While accepting the levy of import duties for revenue purpose, I would suggest changes in the list as also a change in the rate of taxation.

16558. *Q.* 4. The existing principles are defective: they are based on British and foreign interest. No consideration in respect of India's interests appears to have weighed with the framers of the list.

16559. *Q.* 5. The existing tariff policy has acted detrimentally on the Indian industries in the past. It has practically ruined the economic prospects of the country. If this same policy is continued, India will soon be dependent on foreign countries even for her necessaries. It is just time that some consideration is given to see how India's industries can be developed.

16560. *Q.* 6. I approve neither in theory nor in practice the levy of excise duty on any article simply because such article is imported from abroad. No country in the world except India has tolerated this levy.

16561. *Q.* 7. The levy of excise duty is justifiable only when local interests are concerned.

16562. *Q.* 8. How could any duty be imposed without causing a rise in the price to the consumer? Imposition of any duty, either import or excise, only gives a handle to the retail dealer to raise the price higher than he need.

16563. *Q.* 9. The fostering of Indian industries should be one of the objects in framing the tariff. The advantage gained in so doing will be the use of raw material produced in the country and the consequent finding of labour for the poor.

16564. *Q.* 10. India, centuries ago, was a self-dependent country and produced all her requirements and more also. She was an exporting country of fine wares. If sufficient protection is given, it may not be long before she can become independent of other countries in respect of all needs. For some time to come she will have to import the following:

Machinery and mill work, railway and telegraph material, printing and litho material, hardware and some agricultural implements, spices, cassaua, canes and rattans, longstaple cotton and raw silk, laboratory appliances and apparatus, glass and glassware, hardware, paints, cement, petroleum, etc.

16565. *Q.* 11. Only on some.

16566. *Q.* 12. The following are some I would select for immediate protection: toys, gold thread, sugar, paper, beads and bangles, imitation jewellery, matches, soap, cutlery, twist and yarn of counts below 60, biscuits and confectionery.

16567. *Q.* 13. It is desirable to establish new industries by protection. I would select, for the present, some named in No. 12 to make a beginning, for which raw material is found in abundance in the country, now going to waste.

16568. *Q.* 14. I would confine protection only to such industries as are capable of facing competition within a period of ten years without the assistance of protection, provided only that such are not bounty and subsidy-fed in foreign countries.

16569. *Q.* 15. Of course, special protection is absolutely needed in case of all foreign favoured goods. The facts must be ascertained with the help of British representatives stationed in countries where such are manufactured.

16570. *Q.* 16. Cotton hand-loom industry deserves every help. Improved methods should be adopted. To help this industry I would consider it right to levy excise duty on mill-made goods.

If sufficient help and encouragement are given, this industry is bound in course of time to enable India to grow richer and face famine, etc. Thousands of weavers in many weaving centres are without employment, and are seeking employment as menials and coolies. This will enable them to earn a decent living wage.

16571. *Q.* 17. There is this danger; time and circumstances alone must suggest means for stopping such a combination.

16572. *Q.* 18. Not at all unlikely. This is the one danger against which every effort should be made. A system of licences should be introduced and the granting of such licences should be, in the hands of local corporate bodies, whose members have no interest in concern which are likely to impede the progress of such industries.

16573. *Q.* 19. Such conflicts as contemplated are likely to arise, and it may not be difficult to adjust them; helping the weaker of the two must be the guiding principle.

16574. *Q.* 20. The whole, if not something more also, will be passed on to the consumer in a rise of price. If the duty levied is 5 per cent., at least 8 or 10 per cent. will be the rise in price.

16575. *Q.* 21. It may not be permanent, matters will adjust themselves in course of time; and even if the rise continues for some time, it will not be felt as a hardship, inasmuch as there will be better opportunities for earning a better wage. In course of time supply will become sufficient and prices are likely to go down.

16576. *Q.* 22. Yes, I would.

16577. *Q.* 23. In India necessaries of life are not wanting; if protection causes a temporary rise in prices it is not likely to cause trouble and discontent. I would class under necessaries only articles of clothing.

16578. *Q.* 24. Increase in the tariff rates will not materially affect the price, but the trouble is with the middle-men who take advantage of any rise in taxation and make it a pretext to enhance the price; but when the supply is good there cannot be any appreciable increase in price. This difficulty may be averted by occasionally publishing leaflets containing details regarding the cost of production of any article and what the price to the consumer might be.

16579. *Q.* 25. The object of protection is to lessen foreign imports, and it is to be expected that commercial relations with foreign countries will be affected, but it will be more than compensated by the general prosperity and contentment in the country.

16580. *Q.* 26. It would undoubtedly be an advantage.

16581. *Q.* 27. Special and different tariffs according to the treatment given to India I would recommend.

16582. *Q.* 28. More details would be necessary, the lists will have to be enlarged and amplified according to the rates fixed.

16583. *Q.* 29. A permanent organisation would be necessary.

16584. *Q.* 30. The schedule of export duties requires alteration.

Oral evidence, dated Madras, the 4th February 1922.

16585. *President.*—*Q.* In para. 1 you say " I favour a policy of free trade, but with certain restrictions and reservations. Free trade I advocate only in respect of countries whose resources, both natural and artificial, are equal." Do you think that India is such a country?

A. No, it is not.

16586. *Q.* Then you don't favour free trade in India under the present conditions?

A. No. I do not.

16587. *Q.* Will you please explain your answer to Question No. 4 a little more fully?

A. The lists have been framed so as to encourage foreign imports largely and the rates of duty have been so imposed as to favour them, but local considerations do not seem to have weighed in framing the lists nor in putting up the rates of duty.

16588. *Q.* Is that your opinion?

A. Yes.

16589. *Q.* In para. 18, you say " not at all likely." Do you mean the establishment of foreign firms?

A. Yes.

16590. *Q.* " This is the one danger against which every effort should be made." Why do you think that the establishment of industries by foreign firms is a danger?

A. It is a danger because, they won't allow Indians to have a part in the management of the firm. In many instances the Indian is not allowed to get into the management, and even if he is, he is only in the minority and every possible effort is made to create European interests and Indian interests are allowed to die.

16591. *Q.* Then your remedy would be a system of licenses, and the granting of such licenses should be in the hands of local corporate bodies?

A. Yes.

16592. *Q.* What do you mean by local corporate bodies?

A. In this Presidency there are many districts and if any industry is to be established in any one district the district board will be the corporate body for that industry.

16593. *Q.* Then you would give the district boards power to grant licenses?

A. Yes.

16594. *Q.* Do you think that would be an adequate remedy?

A. I would have some merchants and agriculturists also in that body.

16595. *Sir Maneckjee Dadabhoy.*—*Q.* Do you think that the present list does not take into account Indian interests?

A. Yes.

16596. *Q.* And therefore the list should be so framed as to favour Indian interests.

A. Yes.

16597. *Q.* In para. 23 you say that under necessaries of life you would have only articles of clothing.

A. That is the chief article of necessity.

16598. *Q.* Then it is not exhaustive?

A. No.

16599. *Mr. Jamnadas Dwarkadas.*—*Q.* Coming to para. 12, you say you would advocate protection for yarn of counts below 60. We have been told that in Madras you have a handloom industry and that the handloom industry will suffer if you do not exempt yarn from import duty.

A. I refer to yarn below 60 counts.

16600. *Q.* Now is there any force in the argument that the handloom weaver will suffer if you impose a duty?

A. No, not in the least. Levy of import duty on yarn will not make the weaver nor the consumer suffer.

16601. *Q.* Why?

A. Because the rates will be very low and yarn costs so much as Rs. 20 per bundle of 60 paras.

16602. *Q.* Is it not also true that most of these handloom weavers use mill-made yarn for producing cloth?

A. They do largely and in case foreign yarn is cheap they use that also.

16603. *Q.* Do you then think it would be a good thing to have an import duty on yarn?

A. Yes, it is.

16604. *Sir Montagu Webb.*—*Q.* May I ask you as to what your experience is with regard to trade and commerce?

A. I was in trade in the early eighties, and I was an appraiser in the Customs for 20 years.

16605. *Q.* Have you had any experience in any industrial undertakings?

A. No.

16606. *Q.* In para. 5 you say that the present policy has ruined the economic prospects of the country. I have seen a great many industries flourishing.

A. My answer relates to Madras.

16607. *Mr. Narottam Morarjee.*—*Q.* In para. 15 you say the facts should be ascertained with the help of the British representatives. Have you got British representatives there?

A. Every Country has got British representatives. It is from them, I suggest that rates, bounties and subsidies should be obtained.

16608 *Q.* Do you mean British representatives?

A. Whoever the representative may be.

Witness No. 111.

B. F. MADON, Esq., C/o R. D. Tata and Company, Ltd., Navsari Buildings, Fort Bombay.

Written Statement, dated the 10th January 1922.

16609. *Q.* 1. I am in favour of protection for this country.

16610. *Q.* 2. I do not think conditions in this country allow of any appreciable expansion in direct taxation and believe that a customs tariff is more suitable.

16611. *Q.* 3. There is no reason why the great bulk of the manufactured articles now imported should not, given favourable conditions, be manufactured in the country itself and the import list will have to be revised with this goal in view.

16612. *Q.* 4. No.

16613. *Q.* 5. It has prevented the growth and development in this country of the various industries of which the raw material as well as the final markets are available here. If the present policy is persisted in, the industrial development of India will continue to suffer, and in future even more than in the past, because all important countries are trying to regain their equilibrium by putting up tariff walls to prevent undue imports and are straining every nerve to increase their own exports. If we do nothing to prevent the free play of these forces on this country the result will be the dumping of foreign manufactured goods into this country—perhaps the greatest open market of the world—and making it the arena of cut-throat competition between the leading manufacturing countries of the world each of which would try to retain and strengthen its own foothold in the Indian market. The consequence is sure to be that not only will new industries be prevented from getting a favourable start, but that even existing industries will go to the wall.

16614. *Q.* 6. No.

16615. *Q.* 8. The question of raising the price to the consumer although often put forward is really misleading. Every individual in a country except the very favoured few who do not work, and live on inherited incomes, is both a producer and a consumer. Every such individual contributes by his labour to the sum total of the national income although some may work with their hands and some with their brains. Therefore if as consumer he pays for what he consumes, he benefits as producer from a larger share of the enlarged national income. Such larger share need not

necessarily be in £ sh. d. It can be in improved conditions and greater amenities of life all round.

In this country such crying needs of the country as education and sanitation are notoriously backward and the reason advanced is that the resources of the Government are unequal to all the calls made on it. A high tariff will place large revenues at the disposal of the Government and its consequences in better sanitation, education, etc., to each individual consumer cannct be measured in money.

The tariffs will help the establishment of fresh industries and expand and diversify the fields of employment to every individual in the country and by larger demands made on it will tend to raise the value of all labour (whether brain or manual) in the country. These benefits also cannot be measured in £ sh. d.

The training and efficiency for which opportunity will be given by such industries to the population of this country is another valuable asset that cannot fail to conduce to the welfare of every unit in this country. This also cannot be measured in £ sh. d.

Therefore even granting that the consumer pays out more in increased prices it by no means follows that he really suffers in the end. But as I say above he is both consumer and producer and so the question itself is misleading.

16616. *Q.* 9. Some of the advantages of a tariff to foster industries have been already indicated under Question No. 8. In brief they are—

(*a*) expansion and diversification of the fields of employment,
(*b*) consequent reduction of the present undue pressure on the land,
(*c*) consequent improvement in the level of average income,
(*d*) consequent possibility for the great mass of the people of this country of leading a higher and better life,
(*e*) more favourable balance of trade,
(*f*) reduced home charges,
(*g*) greater revenues for the Government,
(*h*) higher expenditure by Government on the many crying needs of the country,

and last but not the least

(*j*) making this country independent and self-contained in the matter of its most essential supplies and so better fitted to face a world upheaval than it was during 1914-1918.

16617. *Q.* 10. It is impossible to furnish such a list. It will suffice to point out that highly protectionist and highly manufacturing countries like America, Germany or Japan all did and do import various manufactured articles from other countries and no doubt India will do the same.

16618. *Q.* 11. There should be duties on all imported manufactures not on a few selected articles. Then alone will the necessary conditions be created for capitalists to launch out into various industries. Capitalists do not go into industries for the mere love of the country or love of an industry. They go for profit. The profit must also be higher than can be had in other existing channels of investment or very few will venture out of the beaten path. The great expansion of industrial activity in the past three years without a high tariff would seem to contradict this but the fact is that the circumstances of this war—

(1) by raising the freight and insurance charges to unheared of heights.
(2) by debarring the usual supplying countries from competing.

gave Indian industries an amount of protection they could never have dreamt of under any possible protective tariff. Profits were enormous in almost every line of manufacture and these reacted on the share markets in two ways:—

(1) by making shares scarce as present holders were too well off to part with their holdings that were daily laying golden eggs (handsome dividends) for them,

making those who were not holders eager to buy

(*a*) because they too had benefited by the boom and had money to invest, and
(*b*) because markets were going up.

It was this that brought about the great company floatations of 1919-1920. The one lesson to be drawn from the industrial history of the past five years is that it is good prices and good profits that draw capital into industries and not mere preaching or mere patriotism. Therefore, if India is to develop industrially as rapidly as Germany or Japan, the protection to its industries is essential and not only protection to prospective industries but also to present industries because it is the good profits made by such industries that supplies the real driving force.

16619. *Q.* 12. Answer unnecessary in view of above.

16620. *Q.* 13. The right way would be to have a sufficiently high tariff and leave the selection of particular industries to capitalists.

16621. *Q.* 14. The question implies that there must be some industries in every country that require continuous protection. I am unable to accept any such implication and think this question also misleading.

Assuming, however, that there can be such industries, I would advocate protection for such industries as are vital to the very existence of the country even at the risk of having to continue it for all time, but I would not *confine* protection to such industries only.

16622. *Q.* 15. As the object of a protective tariff is to safeguard the Home market for the Indian manufacturer, and as bounties and subsidies tend to defeat this very object, countervailing measures ought to be taken. The means for ascertaining exact facts will depend on individual cases.

16623. *Q.* 16. The handloom industry where it is based on economic factors will maintain itself. The economic factor being the idle time in the hands of the agriculturist so that profit margin is no question or in special weave where fashion or design necessitates hand work and price is no question. Apart from this, maintaining the handloom industry by special artificial measures is in my opinion neither advisable nor necessary. It would be like insisting on maintaining the bullock-cart at any cost when motor cars are available. We know the bullock-cart still exists and it will continue to exist in spite of far more advanced means of transport, because it fills an economic want and the handloom too will continue to exist so long as it too is an economic necessity for any part of the community.

As for other cottage industries, *e.g.*, toys the competition is from similar cottage industries in foreign countries and a suitable tariff should help to resuscitate many of these.

Apart from such tariff the one thing that I consider most conducive to a great revival of cottage industries is free and compulsory primary education. Without it they are unable to understand and appreciate the many minor improvements in their appliances and their methods that could greatly improve production and reduce cost, and therefore when they find that their wares do not sell as they used to they simply, so to say, fall helpless by the wayside ready to die.

As to whether it is desirable to maintain cottage industries or not, I consider it most certainly desirable to do every thing we can to maintain and develope such industries as these are the only way of providing diversified occupation for *rural* areas.

16624. *Q.* 17. There is always a chance of manufacturers combining where they see it to be to their material interests. However, except in industries where the raw material or the necessary machinery can be entirely brought under control, such combinations fail to maintain prices at unnaturally high levels, because the very action by raising prices and consequently profits in the particular industry invites the competition of outside capital. The consequence is that these combinations are compelled for their own sakes to improve producing costs and the consumer is ultimately benefited by larger and more efficient production. The De Beers Diamond Company and its associates are an example of the former kind, and the United States Steel Trust an example of the latter. Therefore, no particular safeguards against such combinations other than the operation of the economic forces appear to be necessary at the present stage of Indian industry and for decades to come. When the problem does arise the Legislatures will know how to deal with them.

16625. *Q.* 18. So far as British or Foreign industrial firms come here at their own risk, I would welcome them as they would bring their own processes, methods and organisation and would perforce employ mostly Indian labour. Therefore while such companies would get the benefit of a high tariff, the country would benefit in its own turn by the introduction of new methods and the training of Indian labour.

Where however such companies claim Government patronage as Indian companies the Government would have to see that they were Indian, not merely in name, but in fact (constitution and control).

16626. *Q.* 19. There will always be such conflicts of interest, but a properly arranged tariff ought to be able to reasonably satisfy all interests. Practically all the British Dominions and practically all the leading nations of the world that have adopted protection have had to deal with such problems and have solved them more or less successfully and there is no reason why India cannot do the same. Of course it will be impossible to satisfy all *interests* and the Government will have to adopt that solution that while dissatisfying a particular interest is still on the whole for the best ultimate interests of the country.

16627. *Q.* 20. The question whether the whole or any part of the import duty can be passed on to the consumers depends on the then conditions of demand and supply. During the war, for instance, even a cent. per cent. duty could in some cases have been entirely passed on to the consumer, because the supplies were short and he had to take it at the price named by the seller or leave it. On the other hand, last year prices fell by leaps and bounds in spite of the tariff in such highly protective countries as the United States and Japan. The demand was not there and the tariff was powerless to keep prices up. These are the two extreme cases—in one the supply was not there, in the other the demand was not there. However, under more normal conditions of supply and demand the fact will probably lie half-way. The foreign manufacturer in order to keep hold of his markets will sacrifice some of his own margin of profit.

16628. *Q.* 21. Any rise in prices due to a protective tariff will not be permanent. Internal and external competition will tend to lower prices.

16629. *Q.* 22. This question raises Question No. 8 in another form. There is again talk of raising prices to the consumer as if he were an entirely distinct entity from the producer. As this point has been dealt with under Question No. 8, I will only say here that the "development of Indian industries will increase the aggregate wealth and resources of India and the aggregate national income and that India must be ready and willing to pay for such benefits." However, it is a fallacy to think that India will in any way be the loser thereby, because all the money represented by the increased prices will remain in the country and form part and parcel of the total national income and any increase in such national income will tend to increased income to the individuals that make up the nation, either directly, or, indirectly as through revenue relief or other amenities. The underlying suggestion in the question that an important section of the people will have to make any serious sacrifices for the sake of developing Indian industries is fallacious.

Even if there was such a sacrifice the country must be prepared to face it. Every one of us pays for the general and technical education of one's children and India must similarly pay for the education of its own children in industrial efficiency.

16630. *Q.* 23. The question asked is—should one have regard to the point whether the protected article was a necessity of life. This would require a definition of what "a necessity of life" is. The one all-essential necessity is food-grains as life itself depends on a sufficient supply of these. The question of taxing these does not at all arise in India which normally grows more than enough of its own food-stuffs. All other articles are non-essential to life and should be subject to the general tariff policy that may be adopted.

16631. *Q.* 24. Yes, I most certainly think that the tariff by enabling new industries to be started in this country and thereby providing wider avenues of occupation to the people of this country would tend to raise the level of wages here more or less in conformity with the increased cost of living. Taking the groups separately :—

(*a*) The industrial wage earner will most certainly benefit by the increased demands made on his class as it is already notorious that in the jute and cotton industries labour is neither as plentiful nor as cheap as the employers would like it to be. Therefore fresh industries must tend to raise the wages of this class all round and this is how he will participate in the increased national income of which I speak of earlier.

(*b*) The agricultural wage earner will also most certainly benefit as the labour in the industrial centres of Calcutta and Bombay is recruited from agricultural areas and periodically returns to its home farms. The news of the earnings to be secured in the big towns will fire the ambition of the younger and abler farm hand and thus will come the movement that will help to raise the wages of this class. This is how they will share in the increased national income.

(*c*) The middle class.—This is really not one but several classes, the only thing in common being a moderate figure of income. Roughly it might be divided into—

(1) the higher class of day-wage earner,
(2) the small shop-keeper, merchant or industrial,
(3) the clerical and similar fixed wage-earning class.

Of these the first will be able, as it is now able, to get its wage adjusted, particularly, as the demand for its services will be greater. The second also will know how to look after itself. It is only the third—the fixed wage-earner—that will have to be considered. The employer is as a rule unwilling to raise salaries until asked to do so, and so the adjustment of wages in this class is a more laborious job. However, this class is mostly literate and very very articulate and knows how to ventilate its grievances and so in the end gets the adjustment wanted. It is, however, a small class at best when the total population of the country is considered, and against the disadvantage that its wage adjustments take a longer time there is this advantage that any adjustment *continues* a much longer time than is justified by the "cost of living" figure, because no employer likes to cut down salaries except under dire necessity while the day-wage earner's wage is very rapidly modified by demand and supply.

16632. *Q.* 25. The effect on the foreign trade of this country can only be guessed, but we can make a fair guess from what has happened in the case of America, Germany or Japan. If we guide ourselves by these, the effect should be a gradually improving turnover as this country progresses in wealth although the individual article comprising such trade may change. The general commercial position is therefore likely to be stronger and so also the financial position.

16633. *Q.* 26. I advocate the tariff on other grounds. The bargaining power is only an *additional advantage*, because at present other protectionist countries ignore India's claims as they have nothing to fear from it. We will not have to make much use of such bargaining power in the near future as our principal exports to-day are necessities of life or raw materials (*i.e.*, necessities of industry). India need have very little fear in respect of these.

16634. *Q.* 27. To have such bargaining power it would be advisable to have a schedule of general and of special tariffs.

16635. *Q.* 28. This question is too general and can be left to the Tariff Board or similar body that will have to be created.

16636. *Q.* 29. It is not my idea that only particular or selected industries should be protected. There will, however, be need of a body that will look after the periodical revision of tariff rates. As any change will have to go through the Legislative Assembly, I think the most suitable body would be a standing committee on Tariffs chosen by the Assembly and with power to take evidence of interests concerned.

16637. *Q.* 30. *Export duties.*—I am not in favour of export duties either for revenue or for other purposes. To my mind there is this fundamental difference between an import duty and an export duty.

In an *export* duty the whole burden practically falls on the producer and cuts down the income he may otherwise fairly expect to get from his produce. He cannot prevent the cutting down of such income nor can he choose how the money is to be laid out. Such a duty, therefore, tends to discourage production in the country.

If there are no export duties but only *import* duties the producer—

Firstly, gets maximum possible value for his product, and

Secondly, is entirely at liberty to decide how he shall spend such income and what articles conduce best to his own well-being. If he finds an imported article too dear he can avoid its use altogether or turn to a similar home-made article which may be of inferior finish but cheaper. This is how protective duties tend to unconsciously divert demand from the foreign to home-made article and thus provides it with its necessary market.

16638. *Q.* 31. I think their effect on the export trade harmful in the long run.

16639. *Q.* 32. I am against a duty on a raw material even to retain it for an home industry. The right way to help the home industry is by a duty against the foreigner (*i.e.*, an import duty) not a duty on our own producer (*i.e.*, an export duty).

16640. *Q.* 33. I am not in favour of an export duty on foodstuffs. As already said above they cut down the producer's income, discourage production, and consequently tend to affect adversely the food supplies of the country.

16641. *Q.* 34. The right way to retaliate is by an import duty on some other article of the country in question, not an export duty *on our* own goods. To put it differently, I do not see much sense in punishing my own children just to spite my neighbour.

Imperial preference.

16642. *Q.* 35. I am altogether against Imperial Preference because :—

(*a*) preference to several of the Colonies and Dominions is unthinkable in the state of India feeling as to the treatment of Indians there ;

(*b*) preference to England is both inadvisable and unnecessary—

1. Inadvisable because England is perhaps the foremost industrially developed country of the world and to give it special preference would practically mean handing over India's markets to England. If any preference is to be given to England the tariff would have to be put sufficiently high to give India's infant industries a chance against England's industries that are already in a very high stage of development. It is further inadvisable because India's principal customers are foreign countries.

2. It is unnecessary, because England already enjoys an immense unseen preference on account of the special position it holds in India, on account of English capital being interested in many trades and industries and on account of English personnel being overwhelmingly predominant in all administrative positions in the Railways, Public Works and leading industries with the exception of cotton manufacture where too, the bulk of the orders go to England. The power of this unseen preference of one kind and another can be best judged from the fact that without any preferential tariff whatsoever England already enjoyed some 63 per cent. of the total import trade of India based on the average of the 5 pre-war years 1909-10 to 1913-14. About 7 per cent. went to other parts of the Empire and only 30 to the rest of the world. I would ask those who advocate Imperial Preference to say what more they would want. Surely they do not mean to say that India should refuse to buy anything from the countries outside the Empire some of whom are our best customers. To my mind any further diversion of business out of this 30 per cent. is highly inadvisable and will tend to put indirect burdens on this country in the shape of higher freights and more unfavourable exchange for its own exports.

Manufactures.

16643. *Q.* 43. I am not directly interested in any.

Export Trade.

16644. *Q.* 61. Cotton and cotton textiles mainly to the Far East.

16645. *Q.* 62. No.

16646. *Q.* 63. I am strongly in favour of a total abolition of all export duties as they cut down the income of the producer and tend to discourage production and cannot but affect adversely the foreign trade of the country and the wealth and well being of its people in the long run.

16647. *Q.* 64. High tariffs in other countries fortunately do not affect India as closely as they do other countries, because the bulk of our exports are badly needed, raw materials and food-stuffs. The small proportion that we export in a manufactured state are to a certain extent wampered by high duties in the country of their importation but with a high tariff India will have the wherewithal to negotiate and get fair terms for its own manufactured exports.

16648. *Q.* 65. I am not interested in any such exports but would nevertheless point out that in pre-war years no less than 58 per cent. of our goods went to countries outside the British Empire. It so went out not because they gave us any special preference but because those countries wanted such goods and the Empire did not. In future years it seems to me the share of countries outside the British Empire will be still greater. I do not see how preference will help us here when the Empire does not want such goods from us. In any event I am against any Preference by or to India, because one implies and calls for the other.

16649. *Q.* 66. I have not sufficient information on this particular question.

16650. *Q.* 67. The great bulk of our exports being raw materials or foodstuffs there is not much danger of their being penalised.

16651. *Q.* 68. If we artificially divert the import trade from other countries to the United Kingdom, it would I think to some extent tend to prejudice their purchases from us as freights and exchanges depend on a reciprocal movement of goods and they cannot but fail to be affected by such diversion of trade.

16652. *Q.* 69. I do not think there would be an alternative outlet without economic disadvantage. India which has no merchant navy of its own can least afford to take the risk of handing over all its trade one way to the United Kingdom.

Import Trade.

16653. *Q.* 70. I am interested in cotton and silk yarn and piece-goods, copper manufactures and sugar besides some minor lines.

16654. *Q.* 71. I believe the changes in the Import Duty had no appreciable effect on the import trade, because the rise in the duty was insignificant when compared to the wild fluctuations in the prices of commodities. The experience of the past year is, I know, siezed upon by many as indicating what duties can do to restrict trade. I am on the contrary of opinion that it was the two famines of 1918 and 1920 and the great economic crisis through which India has had to pass during the past 18 months that are really responsible for reduced imports if any during 1921.

16655. *Q.* 72. I do not think a higher tariff will appreciably affect the total volume of our imports. Look at the United States, Germany or Japan. Tariffs have been constantly raised and yet trade has as constantly increased. This is because expansion of industries leads to increased wealth and this again leads to new wants and new requirements that need satisfy. The opposition to allowing India to arrange its tariff to suit its own requirements is mainly based on this absurd fear that India's imports would be cut down. It is perhaps useless to point out to such people that a beggar cannot buy much from you, duty or no duty, and India is a veritable beggar among the nations. According to some figures given by the " Economist ", London (22nd October 1921), the imports per head of population in 1912 were—

	£
Canada	19·35
Australia	16·45
New Zealand	20·55
West Indies	6·45
British South Africa	5·25
British West Africa	·60
British India	·48

I think the relative situation will be found to be still about the same to-day.

These figures show how poor a beggar India is even among the nations of the British Empire. The true interest of the United Kingdom lies, to my mind, not in thwarting India's growth in Industrial development but in encouraging it, because a richer India will be a far better customer than the poor beggar of to-day. It cannot help being so because if it continues to export on an increased scale it must accept payment in goods on an increased scale too. The individual articles may vary, but the total of imports will continue to grow

perhaps more rapidly *after* protection than in the past, particularly if steps are simultaneously taken to spread mass education. With new knowledge will come new *wants* and *desires* and with the higher income that the industrial expansion should ensure will come the *power to satisfy* these new wants and desires. I think it futile to forecast at this stage which particular commodity will be adversely affected and how.

16656. *Q.* 73—77. I do not think it worth while to answer these questions as I consider Preference in any form harmful to the interests of India.

16657. *Q.* 78. I consider *ad valorem* duties far more equitable than specific, because values sometimes change so rapidly and drastically that a specific duty of say 20 per cent. tends to be equal to 40 per cent. at one price level and only 10 per cent. at another. If 20 per cent. protection was deemed necessary then at times the Indian manufacturer will get far more than he needs and that at the expense of the public, while at other times he will not get the margin of protection that he was entitled to expect and on which he may have based his calculations.

For administrative purposes an average of the actual import values of each quarter may be taken as the tariff valuations of the 2nd quarter after same and duty may be collected *ad valorem* accordingly.

Retail Trade.

16658. *Q.* 79—83. Refer to retail trade which I am not in a position to deal with.

Oral examination, Bombay, the 20th February 1922.

16659. *President. Q.* Mr. Madon, are you directly interested in any manufacture?

A. No.

16660. *Q.* You are interested in the import and export trade?

A. Yes, Sir.

16661. *Q.* In answer to Question No. 5 you say that the present fiscal or the tariff policy 'has prevented the growth and development in this country of the various industries of which the raw material as well as the final markets are available here. If the present policy is persisted in, the industrial development of India will continue to suffer.' Do you think that the present industrial conditions are due to the tariff policy of the Government of India?

A. I should say so. The practically infantile stage of industries in this country is due to the tariff policy of the Government. Because, before the industrialists and capitalists can go in for any kind of new industry, they have got to find out what net return they will get. Unless they know that they will get a very good return they cannot be expected to venture their capital into any new industry.

16662. *Q.* That is to say, you think the present policy of import duties for revenue purposes does not provide sufficient incentive?

A. The duties are not sufficiently high. If the duties were 20 per cent. there would be some incentive for manufacturers to start new industries. But the present 5 per cent. even the $7\frac{1}{2}$ or perhaps the 11 per cent. is entirely inadequate, because the industrially advanced European countries have a very clever way of getting round all this disadvantage of a few per cent. by special railway rates, special steamer rates and all sorts of other arrangements. Besides there are such devices as the *Cartal* arrangement in Germany by which individual industrialists combine to dump their surplus on some helpless foreign market, never mind at what cost.

16663. *Q.* You use the words 'helpless markets.' Do you include India in that head?

A. India is perhaps the one market after China that is helpless, because we have no means in our hands here to counteract any such activities.

16664. *Q.* Is that due to the fiscal policy of the Government of India?

A. I would say so. There was really no policy. Claim is made that their policy was a revenue policy. But if we go through the history of the past 60 years, say from 1858, we find that time and again even when revenue was required and very badly required in this country, certain duties were disallowed simply on account of pressure from the Home Government while others were removed. We have information on record that the Council of the Government of India which was as you know, practically an official Council was in favour of particular duties being levied or maintained. But the pressure of the English manufacturers was sufficiently strong, their voting power in Parliament was sufficient, to compel the Secretary of State to disallow things which the Government on the spot actually thought were in the interests of the country. We had, therefore, no policy whatsoever, revenue or other; we simply went by the exigencies of the time.

16665. *Q.* Do you think that because India has had no policy in the past the growth and development of industries have not taken place?

A. I should say so. If you will permit me, Sir, I will explain it. We in India have all the factors which are necessary to industry. We have the raw materials, we have labour and the power and we have the markets. While we in India have got all these things what has England got! She has only iron and coal, but no other raw material. The labour there is very high. The English scientists are saying that her coal is going to be exhausted in the next 20 or 30 years. Still we see that with all the disadvantages and with only these two essential raw materials, coal and iron, England has been able to build up every possible industry. I do not see why we in India could not have done as well with all our advantages and with all the four factors in our favour.

16666. *Q.* You know that England claims to be a free trade country?

A. Yes.

16667. *Q.* Do you think that she built up her industries under free trade principles?

A. No, I do not think so. As a matter of fact (I do not think it is necessary to quote long examples, because they are in standard works) up to 1830 and even 1840 there were very high duties on a great many articles imported into England. There were prohibitive duties on articles supposed to adversely compete with English manufactures. I would like to point out that a hundred years ago we were exporting manufactured cotton goods to a very great extent not only to England but to the Continent; and we have it on record that in order to prevent those goods coming in cheaply and stifling the markets for her own manufactures both in England and in France very severe countervailing measures were taken. After coming to a certain stage of development, England found there was no need for further protection. I may put the case a little differently. A child when it learns to walk requires some help. After it has learnt to walk and run, it does not need any help at all. England did the same thing. We are in the stage of infants and it is absurd to expect us to run in the race with a fully developed adult, I may say not only an adult, but an athletic because it is admitted that the English industries, American industries and German industries, have developed to such an extent that they are not like ordinary adults but like trained athletic. I do not think it is possible for the infant India (so far as her industries are concerned), to compete with those adult athletic.

16668. *Q.* You talk of India having labour. Is it skilled or unskilled labour?

A. I mean unskilled labour.

16669. *Q.* Don't you think that for intensive manufactures, skilled labour is of the utmost importance?

A. I agree, but how are we going to get it unless we start industries.

16670. *Q.* How will you train labour?

A. The only way that labour can be trained is the way in which it has been trained for new industries in England. Men are taken into the industries because capitalists find that even with the employment of unskilled labour and at low wages they are still able to make both ends meet and make profits. So when they start factories they employ unskilled men who in course of time become skilled labourers.

16671. *Q.* Industries which are started without an adequate supply of skilled labour cannot hope to be a success?

A. I agree. But what other way would there be? Do you think that the English, Japanese or other manufactures are going to take two thousand or five thousand of your men and train them up? If we are to train our men there is no other way. The English labour before they began to adopt the discoveries of Watt and others, was unskilled labour, and gradually became skilled. What was Japanese labour 40 years ago? I know Japan fairly

closely. Thirty years ago when I was there I did not see very much difference between the rural conditions there and the rural conditions here, excepting that primary education had been very rapidly developed; and the people were consequently more intelligent. Training came only after the starting of factories under adverse conditions, under special protective measures adopted by the Government. Nobody trained the German labour before they started factories forty years ago. I do not see why we should not do the same thing and train our own labour also.

16672. *Q.* You mean both superior and inferior labour?

A. I mean that. It is just possible in the early stages one may have to import superior labour.

16673. *Q.* In answer to question No. 8?

A. Will you please allow me a word of explanation? In the answer to question No. 8 I have made a slip. I have assumed that the question was whether protective duties raise the prices to the consumer.

16674. *Q.* Then your position is that the increased prices is counterbalanced by the reduced cost of living?

A. It is not reduced cost of living.

16675. *Q.* You say, "therefore even granting that the consumer pays out more in increased prices it by no means follows that he really suffers in the end." What do you mean by that?

A. I mean that if the prices increase the real income does not thereby suffer. That his own income is so improved that he is able to command the same amount of comforts and amenities as he used to before and even more. I do not like to make a simple general assertion, but it might help us to see what happened in other countries in similar cases.

I have here a book on the financial and economic conditions of Japan between 1905 and 1915, in which the wages in various industries and the index numbers of prices of various articles is given. This shews that wages have increased during those 10 years. Japan adopted effective protection only in 1900, because up to this time it was under a régime of what is called extra territorialty, with special restrictions on its powers of taxation of imports. Japan adopted a new schedule of import tariff and had to negotiate with each of the European Powers and get each Government to agree to the change. The change was made effective in 1900 but its effects began to be felt a few years later. It is in that period, and it is easy to see from the facts as given in the publication, which is semi-official, that in the case of a great many industries the wages have increased ultimately in greater proportion than the price of the necessities of life.

16676. *Q.* Then the rise in the cost of living?

A. The difficulty in using the phrase "cost of living" is this. The cost of living as measured by a sum of money or some figures may look very high, but that does not necessarily affect the real income of the wage-earner. His own income may be still higher. The cost of living may be still cheaper. My contention is that in Japan as these figures indicate, the wage-earner has found his lot, actually improved instead of deteriorated.

16677. *Q.* That is to say, his income has grown on a higher scale than the rise in price?

A. That is exactly what I mean.

16678. *Q.* In the second paragraph of your answer to question No. 18 you say "Where however such companies claim Government patronage as Indian companies the Government would have to see that they were Indian, not merely in name, but in fact (constitution and control)." Do you mean to say that Government should refuse these concessions to anybody except an Indian firm?

A. There is actually a law (I believe an ordinance) by which companies which require concessions for the establishment of industries or to tender for Government contracts and so on, should have at least 75 per cent. of the Board of Directors British. I know of an actual instance where the directorate has been required to be at least 75 per cent. British.

16679. *Q.* In India? Can you give figures?

A. I cannot give you figures.

16680. *Q.* I do not think I have ever heard of such a thing. It would be very interesting to know more about this statement that 75 per cent. of the Board of Directors must be British.

A. It is a war time ordinance as far as I remember.

16681. *Q.* Will you please let us have some definite information on that point?

A. I will look up my papers and tell you. To give a personal instance, in the Cotton Contracts Board.

16682. *Q.* That is a different matter altogether. That has nothing to do with the establishment of industries or Government contracts?

A. What I mean is that that kind of thing could be done.

16683. *Q.* That is merely a regulation of trade at the instance of trade.

A. In the trade there are Japanese, Germans and others. But still in the Board no non-Britishers are allowed.

16684. *Q.* That has nothing to do with your statement, namely, that it was laid down that companies requiring concessions for the establishment of industries or tendering for Government contracts should have 75 per cent. at least of the Board of Directors British. Can you tell us some thing definite on the point?

A. It may be that I am wrong, but I will find it out.

16685. *Q.* You say "Where however such companies claim Government patronage as Indian companies the Government would have to see that they were Indian, not merely in name, but in fact (constitution and control)." I want to see how you wish to bring about practically what you suggest?

A. My idea is that the regulations governing any such concessions should say that a company which applies for a concession should have at least half its capital held in India and that at least the majority of the Board of Directors should also be Indians, because otherwise, the danger is that under the fictitious name of an Indian company foreigners might come in and get the entire control in their own hands, and get all the advantages of the tariff or other concessions which Government might think it right to make for the benefit of the country.

16686. *Q.* You think your suggestions can practically be carried out in regard to a large number of industries that desire to be established in India?

A. A large number of industries would not require special concessions. The suggestion I have made in one of my answers is that an all-round tariff giving reasonable protection to new industries would suffice. The best way is to then select particular industries and then find out what further concessions they should have in order that they may make their own way. But there may be certain special industries, like key industries, where it may be advisable to see that the control of the industries does not go out of the country. To give an instance (I am not sure whether it is relevant), Japan does not allow foreigners to hold even a single share of their leading mail steamship lines and leading foreign banks. There are other cases also, where the Government sees not only that half the control is Japanese but that it is absolutely Japanese. No foreigner can come in and gradually insinuate himself into a position of either open or concealed control.

16687. *Q.* Would you recommend that policy in India?

A. If we really want to be independent economicly, and industrially, then we have to adopt all the means that may be available to us, at least in the early stages, not only to start new industries but also to see that they remain in our hands and that they are not stifled by unfair competition from very powerful neighbours. We have got to see to that.

16688. *Q.* In your answer to question No. 18 you are dealing with foreigners establishing industries in India. Will you please confine yourself to foreigners?

A. These powerful manufacturers can get the benefit of our own tariff by establishing themselves and registering themselves as an Indian company and still getting the control in their own hands so that the people of the country would continue to be in the position merely of hewers of wood and drawers of water and would not be any better off for the establishment of such industries, except for the extra wages that these industries provide.

16689. *Q.* But you yourself say in your answer to question No. 18 that so far as British or foreign iddustrial firms come here at their own risk you would welcome them as they would bring their own processes, methods and organisation and would perforce employ mostly Indian labour?

A. When such a firm, after having started here goes to Government and says that such and such things are being manufactured by them, and that they are an Indian company, and that Government should give a part of their patronage to them, and should give special railway concessions, and so on, then alone do I say that Government ought to see that the company that asks for such special favours is really Indian. If they can compete in the open market, and do not ask for any special concessions, then I would let them go in their own way. That is my position.

16690. *Mr. Narottam Morarjee.*—*Q.* In answer to question No. 11 you say that there should be duties on all

imported manufactures and not only on a few selected articles. Will you except medical instruments and agricultural implements?

A. No. I would not.

16691. *Q.* Not even surgical instruments?

A. I do not think it is necessary, because all these things are such that it is essential that the industries should be in this country. The war has taught us many lessons. One of them was with regard to certain kinds of optical glasses. You would never imagine that war would have anything to do with optical glasses. They were manufactured in Germany under certain processes. You have the Safeguarding of Industries Act in England now which imposes certain penalties and disabilities on many of these kinds of articles. I do not see why we should not manufacture surgical instruments, ourselves. As for agricultural implements, they are such a big item that I do not see at all why we should leave that part of the market open to our foreign competitors. We ought to be able to see that in the not distant future India is able to manufacture its own agricultural implements, because agriculture is our basic industry.

16692. *Q.* Will you please tell us if you have personal experiene of the methods by which Japan trains up her young men?

A. There are two different directions of activity. One is a constant stream of men going to foreign countries to learn, some of them to complete their education in various technical lines. Government insists on placing contracts for its own requirements with those manufacturers or suppliers who agree to allow a few of their own men to come in as apprentices to be trained by them. (Of course, I understand it is so; there are not public records of it. But it may be possible for the Commission to find this out.) But that would not have been enough because when these men come back and find no body willing or able to employ them, what little they may have learnt would have gone. What Japan has done is to start important lines of industries even at the risk of the country. To-day the iron industry, after its very great development, is still under the protection of Government. It is carried on at the expense of Government and its losses, if any, are borne by the country. Take again several other industries, like the match industry, the glass industry, the blankets industry and so on. Experimental factories were started by Government and frequently run at a loss, because the labour was untrained, and the superior staff was not well trained. But these factories provided a field in which the apprentices trained in foreign parts could find scope for their abilities and have a chance of making mistakes and learning. In this country that is not possible. There are a great many instances in which the men trained (at least men with high technological degrees) come back to find that there is nothing for them to do except to take up office work in some other direction. So it is essential not only to send out men and train them, but to have factories here where they would be taken up. Mistakes will be made and there will be losses, and that is why I say that a sufficiently high tariff protection in the initial stage is necessary to enable the manufacturers to face them.

16693. *Q.* In your answer to Question No. 15 you say "The means for ascertaining exact facts will depend on individual cases." Do you think it is essential to have Consuls for ascertaining the facts?

A. My meaning was that in each particular case the particular industry aggrieved would approach Government or say the Tariff Board and say that there was unfair competition in such and such an industry and in such ways. They would most probably be business men. Then the remedy will only be to fall back on all the resources of the nation, including foreign Consulates and attaches, and so on, to verify the complaint, verify facts and take action accordingly.

16694. *Q.* In your answer to question No. 29 you say "I think the most suitable body would be a standing committee on Tariffs and chosen by the Assembly and with power to take evidence of interests concerned." Would it not be advisable to have some industrial interests represented on the committee?

A. My underlying idea was that the committee would be chosen by the Legislative body as its own mouthpiece, and the members of this committee can take all the evidence necessary. It may be that facts and data are available in the Department of Commerce and Industry or from the various Chambers of Commerce and other bodies. This committee could collect all such evidence, weigh it and then make recommendations to the Legislature. If there was such a committee, then, when the recommendations came before the Legislature, some of the members of the Assembly would have already studied the questions and would explain to the whole Assembly why certain measures were recommended. If the body was merely an outside technical body then when the question again came before the Assembly the direction of the remedies might be unduly changed and the object frustrated. But if the committee of the Assembly was satisfied before the question came into the Assembly that a particular measure was necessary, I think there is much more chance of the measure going through.

16695. *Q.* In answer to Question No. 30 you say that you are opposed to export duties. Are you opposed to the addition of a small export duty on jute, of which as you know India has a monopoly?

A. I am entirely opposed to any export duty whatsoever under any conditions. My dea is that the producer should have the fullest possible income that circumstances allow him. You should not cut off part of his income.

16696. *Q.* In you answer to question No. 69 you say that "India which has no merchant navy all its own can least afford to risk the handing over all its trade one way to the United Kingdom." Do you think it desirable to have an Indian merchant marine?

A. If we go by the experience of other countries that have developed their trade and industries it seems quite clear that a merchant marine is essential to the proper development of the industries of the country Germany has made immense sacrifices for it. Japan has done so, America is trying to do it even now. When such a rich country with so much exports and imports trade is doing it, we in India would be certainly very well advised in trying to have a merchant marine of our own.

16697. *Q.* What measures would you advocate for that purpose?

A. The first practical measure would be to make the coasting trade of the country a monopoly for steam ship lines owned by Indian companies.

16698. *Mr. Coyajee.* – *Q.* Might I draw your attention to your answers to questions Nos. 13 and 29? In your answer to question No. 13 you say that "The right way would be to have a sufficiently high tariff and leave the selection of particular industries to capitalists." In your answer to question 29 you say "It is not my idea that only particular or selected industries should be protected." Does it mean that you advocate a general protective tariff to start with?

A. I advocate a general protective tariff levying a certain amount of duty on all imported manufactures. I think the result will be that capitalists will study the various articles imported and find that some of them at least, say 20 or 30 out of 100, stand a fair chance of being made in this country, and will venture to start the manufacture of those articles. The reason why I consider a duty on all imported manufactures necessary is this. There are so many ramifications in each line of industry that success in a particular industry is bound up with the success of other industries that either use its bye-products or supply their own bye-products to it. If by selection a particular industry *A* is protected the protection may not suffice to establish that industry here. It may be found that the industry *A* will have to depend for its success principally, if not entirely, on the success of other industries, *B C* and *D*, which consume its bye-products or are correlated in some such way. Therefore to my mind the only sound way is to tax all imported manufactures and thereby make it possible for the industrialists to contemplate the establishment of such industries as are necessary for the successfull carrying out of their programme.

16699. *Q.* As a matter of fact some industries are non-existent, and if you have a general protective tariff of this sort, how will you fix your tariff in each individual case?

A. My idea would be to have a good deal higher level of tariff than the present level of 11 per cent without regard to the amount of protection that any particular article might require, and then to watch its effects. I think that if the rate is put up like that for the first few years, it will, while acting as a revenue tariff, in the meantime, furnish the necessary incentive to capitalists to start industries. Then these capitalists can themselves come forward and say that in a particular case the tariff, whatever it is, is not sufficient and that in the interests of the country Government should put it up still higher for the particular industry. Then the question would have to be studied and necessary action taken.

16700. *Q.* Then you say that we should put on the maximum revenue duty on each and watch the effect?

A. Yes, sir. That is my meaning.

16701. *Q.* If the protection is inadequate then the manufacturers will direct our attention to that particular fact?

A. Yes. In other countries Government does take the initiative. It brings together its leading industrialists and says "Why can't you do such and such a thing." (This kind of thing has been done over and over again in Japan.) Then the capitalists are able to put their difficulties before the Government. In some cases if the Government takes the risk, it starts a model factory of some sort. In others it provides the means for the capitalists by giving the necessary facilities.

16702. *Q.* As regards foreign firms in Japan, Professor Godbole, in his written evidence, gives us a list of 20 foreign firms carrying on business in Japan. I think one of them was the Dunlop Tyre Company. He gives us a list of dozen English firms as manufacturing in Japan. Do you think anything of that sort is going on in Japan?

A. I cannot give you any complete list. But it is a fact. After the tariff was raised in Japan to a point that it was impossible for English manufacturers to compete in the ordinary way by importing the article into Japan and paying all the duties, there came about combinations between Japanese capitalists and manufacturers in particular industries. Prominent examples of this are the well-known manufacturers, Messrs. Armstrong and Messrs. Vickers. I believe the well-known locomotive manufacturers Babcocks have also done so. About Dunlops also I have heard. There must be many other cases. The problem simply came to this. Was it to the interest of the foreign manufacturer to come in even as a partner and take a part of the profits? When he found that he could not get any share of the trade on account of the tariff, then the problem to him was whether it would be better for him to share the profits or let the profits go altogether. Many of them found it to their advantage to start companies in Japan in which the capital and management were shared. My impression is that there the majority of the directorate was Japanese and not foreign, and industries were started on those lines.

16703. *Q.* Are there any regulations in Japan as regards the sharing of capital between Japanese and foreigners?

A. As I said in an earlier reply, there are certain companies in which the holding of shares by foreigners is absolutely prohibited. There are others in which the prohibition is not open but when those companies go to the Government for special facilities they find that they are not as easily accorded so that there is a sort of tacit opposition to shares being held by foreigners.

16704. *Q.* Can we get any reliable information on an authoritative basis on this point from any book on Japan which talks about it?

A. I will try and get you the commercial law of Japan which will give you the open restrictions. The tacit restrictions naturally you cannot find anywhere. It is simply a question of policy of the particular Government.

16705. *Q.* Now as regards the relative rise in wages and cost of living to which you were drawing our attention from the Japanese annual, will you kindly let me know how during the last 20 years wages have risen in any particular industry and how far the cost of living has risen. I mean just an example for us to see the relative cost of living and wages?

A. I shall be pleased to leave this book (Financial and Economic Annual of Japan) with you but I would just point out this. In Table XXIX on page 68, they give wages of agriculture sub-divided into farm labourer, sericultural labourer, silk spinner, gardener, and Fisherman. Then we have clothing sub-divided into weavers, male and female, dyer, cotton whipper.

16706. *Q.* I only want to know the relative increase in wages and in the cost of living.

A. If you will allow me a couple of minutes I can show you more clearly the relation between the two. In 1904 the wages were very nearly from 100 to 110; in exceptional cases they were 125. In 1913 the same wages had increased to 161 and even higher in some cases. In only one case was it 130. The cost of living is not given here but in the general index the prices of articles consumed by the labouring classes are given separately. We find that there are about 40 articles given in the table. Here only 5 or 6 articles show rises over 160 while the bulk of the other articles show rises under 140 or 130; that is in proportion to their wages. The rise in the prices of many articles which these wage-earners consume is smaller. And may I point out why it should be less?

16707. *Q.* If you please?

A. A time comes in every protective policy where the local manufacturer is able to produce very largely not only sufficient for home consumption but to have a surplus for export and then immediately his prices fall to the level at which it will pay him to export. Thus while wages have risen up to a certain point the prices have risen also, perhaps more than the wages. Then the amount of production serves to bring down the level of prices so that we find that Japan, which was 30 years ago importing yarn and importing cloth very largely, is to-day selling its own yarn and cloth not only in competition with Lancashire but also with India which has cheap labour, in the common market of China which means that they have been able to bring down the prices of their production, *i. e.*, manufactures to a level which is the world level. At the same time wages have been increased because that increased amount of production gave work to so much more labour in the country. There was more what is called national income to divide.

16708. *Q.* But has it not been asserted that bounties were the causes of these exports which benefited the foreign countries by enabling them to get these articles cheaper?

A. Not in Japan. So far as my knowledge goes there are no open bounties. There may be facilities and one of the most important bounties or facilities is their own steamer line which gets subsidies from Government and the coasting trade in their own country has now come up to a pitch when they are able to hold their own against foreign steamer lines and when fixing their rates of freight on the one hand they have to look to the views of their own shippers, the majority of whom are Japanese and on the other to the Government who will say that "if you want to kill our industries, then we don't want you". So what happens is that in the matter of steamer freight the Japanese manufactures and merchants are far better off than we are here in India. To give a pertinent case to-day, cotton is being carried by two Japanese steamer lines at 13 yen or Rs. 16 or 17 per ton and the Peninsular and Oriental Company has also consented to carry cotton at the same rate but it carries yarn to China at double the rate which is Rs. 30 per ton. As we have not any line of our own, we have no leverage to use against these steamer people to lower the freight. We can simply go and beg and as we have no choice, the position is that they charge us such freights as in their own good pleasure they think they have a right to.

16709. *Q.* It is argued that this low freight is the result of combined action on the part of the Japanese Cotton Spinners Association which gave all the carriage of the freight to one particular line and which had brought down the freight?

A. That is a fact.

16710. *Q.* And therefore if our people combined there might be something done for us.

A. The position to a certain extent would be of that kind. If there was a certain kind of goods which could be entirely controlled by the importer, then the importer could make his own terms with the Steamer Company and that is what the Japanese did. The Millowners' Association became a close combine. They agreed to bring all their cotton only through the company which gave them the best terms and my point is that when these better terms were given it was not because the Peninsular and Oriental or other English lines liked it but because the Japanese companies agreed to do it whether the Peninsular and Oriental liked it or not. Then after some unsuccessful struggle, as it was an important trade, the Peninsular and Oriental company also fell in with their views and said "We shall also carry cotton at the same rate". If the national line was not there, I don't think that even the Millowners' Association could have done it because the foreign companies would have said "We won't carry cotton at that rate. If you don't want our freight you can please yourself". So, that is where a national line or a line in which the Government is able to enforce the interests of the country first and foremost would be to my mind very beneficial to our trading interests.

16711. *Q.* There is only one more question, Mr. Madon. The Dunlop Tyre Works, the Premier Cycle Works, Lever Brothers Soap Factory, the Royal Brush Factory at Osaka, the Electric Bulb Manufacturing Co., at Shinagawa the Gramophone Co., are all foreign firms in a country like Japan where the foreigner is by law prohibited from owning land.

A. The Electric Bulb Manufacturing Co. and the Gramophone Co. I know; the others are new to me.

16712. *Q.* In these companies is a percentage of Directorships assured to the Japanese.

A. The majority of the Directors are, I know, Japanese; that is my information. I can't give you chapter and verse to-day.

16713. *Q.* Can you supply us with this information ?

A. It is not possible. The information can only be got from Japan.

16714. *Q.* Do the Japanese Government impose an excise duty on their successful manufacturing industries called consumption tax ? Is that a fact ?

A. There is a consumption tax.

16715. *Q.* Do you know anything about it, how it is imposed and where ?

A. I have got it here. There are two kinds of consumption taxes mentioned here. (The book was handed over to Mr. Coyajee.) There is a chapter in this book in which the sources from which the Central Government of Japan derives its revenues are explained. The consumption tax on kerosine oil is imposed at the rate of yen per upon persons taking delivery of kerosine oil from manufactories, customs houses, bonded warehouses, customs temporary depôts, and other places where the storage of foreign goods is permitted by laws and ordinances. It is a consumption tax pure and simple and differs entirely from our excise duties which are not consumption taxes in the real sense of the term. Japan charges the full import duty of whatever it is. If it is 20 per cent. the importer pays first that 20 per cent., and then when the article goes into the country for consumption he has to pay a further 10 per cent., so that the original protection intended by the law under the tariff remains intact. In our case that protection has been destroyed. There is another consumption tax on textiles. This is how it is worded. The textiles consumption tax was enforced in 1905, and levied at the rate of 10 per cent. of the value upon persons taking delivery at the time of such delivery of textiles from manufactories, customs houses, bonded warehouses, customs temporary depôts and other places where the storage of foreign goods is permitted by law and ordinances.

16716. *Q.* What is the import duty on textiles in Japan ?

A. It requires a technologist to explain. Moreover, the duty is specific and not *ad valorem*.

16717. *Mr. Jamnadas Dwarkadas.*—*Q.* What would be the average ?

A. I cannot tell you. It would be wrong to give an incorrect impression. The import tariff is given in this book ("The Import Tariff of 1917") which I shall leave with you and if the Commission can get the help of some mill-owner or expert he will be able to work them out for you. He can say what the value of a particular piece of cloth as mentioned here would be and then what the tariff would amount to.

16718. *Mr. Coyajee.*—*Q.* The Cotton Spinners Association have told us that in 1919, all the import duties were removed from textiles in Japan on account of the high price of cloth for some time. Is that your impression ?

A. They may have been suspended. The Japanese Government has always the power to suspend duties and they have frequently suspended the duty on rice. I have not any first hand information on it.

16719. *Mr. Sheshagiri Ayyar.*—*Q.* As regards this combine by the various manufacturers of preparing a particular company and getting less freight: that was possible because the manufacturers were Japanese and the Shipping Companies were Japanese. This is not possible where you have got to deal with a foreign company. Will that be possible ?

A. If we had some leverage in the shape of our own company and if we can say "Well, here is one Mr. *A.*, who is prepared to take at such and such a rate and if you are not prepared to carry at that rate, I am going to give it to Mr. *A.*" Now the European companies know that there is no one else except themselves in the field and they are taking full commercial advantage of that position.

16720. *Q.* In answer to question No. 11 you say that there should be duties on all imported manufactures and not only on a few selected articles. Supposing machinery is required for starting industries in this country, would you impose a duty on it ?

A. I would because machinery is another real fundamental industry. If we are always going to depend upon foreigners for the machinery that we want, then the technical skill and the improvements in the matter of invention and so on which are possible would never come to us. Now my point is this. I know that manufacturers here would like to have the machinery free and many other things free, but if you tax machinery say at 10 per cent., it means that the capital cost of a factory which would have been 100 otherwise would be 110, that means that the capitalists would have to find additional profit or dividend only on that extra 10 while on his gross product by the tariff we are going to give him a protection of 10 per cent., 15 or 20 per cent., which is a good deal more. So, the manufacturers cannot have any reason to complain if machinery is taxed.

16721. *Q.* Supposing you want a new industry for example, the glass industry, or paper industry, or any other industry to be started in this country, then you want to get machinery. Would not you like that the machinery necessary for starting such a industry should come without import duty ?

A. I think that I have explained that. My point is taking the matches industry for example, if there is a 20 per cent. duty on foreign matches, even with Rs. 110 as capital as mentioned by me the manufacturer can make matches and sell them cheaper ; if that is so, I don't see why he should get machinery free.

16722. *Q.* Take the case of finer counts of yarn which come from England and other places. They are consumed largely by the handloom industry. Would you like to impose an import duty upon the finer counts of yarn which will have the effect to a certain extent at least of retarding the development of the handloom industry ?

A. I don't think that I would put it that way. If we have a protective duty of say 2) per cent. on cloth imported from foreign countries.

16723. *Q.* I am speaking of yarn only ?

A. Unless you wish me to answer your questions yes or no categorically, every answer requires some explanation. The position is this. The weaver would be getting 20 per cent. protection on cloth and if he pays 10 per cent. on yarn, he is still 10 per cent. better off. He is not handicapped by this duty on yarn. It is essential for us that we should gradually be in a position to make these finer qualities of yarn. Why should we not ? We must make a beginning with yarn first.

16724. *Q.* You cannot get here the special kind of cotton required for this ?

A. Egland has no cotton, Japan has no cotton and yet they manufacture such goods. We can also import any kind of cotton we want.

16725. *Q.* I take it from what you have just said that you would not give any special protection to the handloom industry in this country ?

A. No, I would not.

16726. *Q.* I take it that your general answer to question No. 18 is that you would like to have the industries started by foreigners in this country.

A. Yes.

16727. *Q.* Would you like to have a large proportion of Indians in the management of those industries ?

A. My point is that if these foreign firms came with their capital and take their own risk, they can manage their own industries. I don't want to impose any proportion of Indians on them. That would not be fair at all.

16728. *Q.* Do you contemplate that before an industry is started by a foreigner or by a person other than an Indian, a certain number of shares should be in the hands of Indians.

A. Well, that is the attitude of some people ; so long as that company does not ask for any special concession or favour of Government, it should be allowed to have a free hand.

16729. *Q.* You would like to see both Indian and European companies started in this country in consequence of the protective policy.

A. Yes.

16730. *Q.* You would not give any concession to the Indian companies as against companies started by foreigners.

A. Concessions of what kind ;

16731. *Q.* For example, that these foreign companies should contain a certain Indian element.

A. That may be for the Legislature to consider. I personally don't see any good in it because we are in such a backward state that it would be in the interests of this country even to have industries started entirely by foreigners.

16732. *Q.* There is only one question more and that relates to export duties. I take it that you laid great emphasis upon the fact that we have got a considerable quantity of raw materials.

A. Yes.

16733. *Q.* If you allow the raw materials to go away from the country without an export duty, would not that have the effect of making it difficult for industries to be started in this country.

A. The position is this. The raw materials go away because there are no buyers in this country. If there were buyers, these would not go because the consumers of our raw materials in other countries have got to pay freight

commission, etc. As a matter of fact, to-day we have a surplus of many of these raw materials.

16734. *Q.* Would you not like by imposing an export duty to make it possible for these raw materials to be retained in this country?

A. If these raw materials are of no use here to us and if the manufacturers are not there ready to take them up, what is the use of detaining these raw materials?

16735. *Q.* Can you suggest any instance in which the raw materials will not be used in this country?

A. They can be utilised provided the manufacturer is there and if the manufacturer is not ready and cannot take up these raw materials, what is the agriculturist or the cultivator to do?

16736. *Q.* In your opinion, therefore, it is not necessary to have an export duty on raw materials?

A. Not necessary, in my opinion. When we put on protective import duties we are already going to tax the agricultural classes a little bit for the good of the country. If you go farther and tax them again on the export of their produce, then it is double burden on one class of people, and that the poorest class. The agriculturist ought to have his income entirely to himself, if he can have it.

16737. *Q.* You say that if you start industries a large number of people from the rural parts would come into the cities and find employment. Would not that have the effect of depleting agriculture of labour?

A. I quite follow your point, but the word 'large' in that connection would be comparative. Three hundred thousand more labourers in Bombay in industrial concerns, or 300,000 more labourers in Calcutta would not make any appreciable change on an agricultural population of 250 millions.

16738. *Q.* You say that the agricultural population is so great, that the taking away of a certain number of labourers to industries would not hamper agriculture?

A. Yes. If wages improved and general conditions improve, I personally feel that the condition of agriculture will also improve. The agriculturist will know how to find better markets and how to use better manure, and from the same amount of land he will produce more.

16739. *Q.* You said that an increase in wages would more than compensate for the increased cost of living. I take it that your idea is that there will be a better standard of living, better houses, better food, etc., for the working classes?

A. That is part of it.

16740. *Q.* That would to a certain extent compensate for the increased cost they will have to pay for the articles?

A. May I expound that? We find in all protectionist countries that after a certain stage the population is able to enjoy a great many amenities which they had not before and in addition they are also able to put by larger and larger sums of money. In the case of Japan I have got some figures which, if you will permit me, I will place before you. I have the statistics of savings bank deposits. I must explain that these savings banks are a stage further up from the post office savings bank. They are not the ordinary banks of the country. They are more or less peoples' banks and the deposits in them are from the lower and lower middle classes, and not from the upper classes for which the other commercial banks cater. In 1911, the balance of savings deposits in these banks was 163 million yens, and the balance of other deposits was 148 million yens. In 1914 the balance of savings deposits was 165 million yens and the balance of other deposits was 210 million yens. These other deposits are half saving and half current. In the postal savings banks the deposits were 192 million yens in 1912 and 202 million yens in 1915. The point is: all this money they have been able to spare over and above all the expenditure they had to make for the more improved standard of living.

16741. *Q.* You say that they made this saving notwithstanding the increase in the tariff and the consequent increase in the cost of living?

A. Yes.

16742. *Mr. Rhodes.*—*Q.* You have mentioned to us the reasons which enabled Japan to compete with the Indian mills in the Indian cloth market. Have you formed any idea as to the general standard of comfort of the Japanese labourer? You say that it has improved. But how does it compare with that of the Indian mill hands?

A. The conditions are not alike on account of climate and so on, but my general impression is that the Japanese labourer is first of all much better educated: then he has much better civil amenities in the way of better communications and so on. Apart from that he is not at all a sufferer as compared to the Indian labourer in the matter of food and clothing. In fact, in the matter of clothing he has on the average a good deal more than the Indian labourer can afford.

16743. *Q.* What about his working conditions?

A. Will you explain what is meant by conditions?

16744. *Q.* The conditions under which he does his work, the length of hours and so on?

A. There are two shifts in all Japanese mills. They go on the idea that it is much better to work out the machinery twice in a day and make up the depreciation by increased earnings. There are two shifts and between the shifts the employees are kept in chawls erected by the mill-owners in their own compounds. Some years ago the conditions were considered in Japanese papers to be very harsh, because once an employee came in he found it very difficult to get out, but as the number of mills increased the mill-owners tried all kinds of means, fair and unfair, to draw away labour from neighbouring factories, and that has ultimately led to a great deal of improvement in the general conditions of labour as well as in the liberties of the labourer.

16745. *Q.* Then, compared with Indian labour, is Japanese labour sweated or not? We have been told that this kind of sweating in Japan makes it difficult for Indian mills to compete with the Japanese mills.

A. I do not know what you call sweating. Is that that the labourer does not get enough food?

16746. *Q.* No. He has generally to work as a slave.

A. The slavery consisted in his coming in and not being allowed to leave the mill. There were certain restrictions to his leaving the compound. But that has gradually changed and Japanese labour has become more independent.

16747. *Q.* But is it as independent now as Indian labour, and as well-treated generally?

A. I cannot definitely answer this question. Indian labour is not handled in the same way as Japanese labour. As I said, all the labour in Japan is in the mills' own compounds as far as possible and the mill-owners provide educational facilities, etc. On the other hand, they have certain restrictions on their men, because on account of their two shifts system they cannot afford to see their labour leave the factories. But the Indian labourer is free to go home, and that is the only freedom he enjoys.

16748. *Q.* The Bombay mill-owner would be justified in his desire that a prohibitive duty should be put on Japanese cloth if the competition was unfair in regard to the question of ill-treatment of Japanese labour.

A. As far as my knowledge goes I cannot say that the competition is unfair.

16749. *Q.* The only other point is the question of confining the coasting trade to Indian companies. Here again we are on the cotton question. The Indian cotton mills, chiefly situated on this side of India, depend on cheap freight for their coal from Bengal. Don't you think that if this coasting trade is in the hands of one concern there will be the danger of having to pay very heavy freight?

A. One concern in what way?

16750. *Q.* One Indian concern.

A. If an Indian company is organised, and it had special concessions from Government, the Government would have on the other hand, the means of seeing that it did not abuse its powers. But I do not say that there should be only one Indian company for the whole of India. If there was a chance of making money by engaging in coasting trade, there would be many companies springing up.

16751. *Q.* There is that chance now, — of starting Indian companies?

A. Well, I know how companies can be started. There are three companies in Calcutta competing, and these same companies are competing in Bombay. From Calcutta to Shanghai and Japan they are taking cotton at 5·40 rupees per ton, and from Bombay these same companies charge Rs. 30, five times that freight, to Shanghai. My point is that when you have such giants to throw away millions of money how can you have a chance of starting new companies? Mr. J. N. Tata tried it thirty years ago and failed. The Government have got to give definite protection and definite facilities.

16752. *Q.* In other words, a definite monopoly?

A. If you please. If it is desirable to have a commercial navy for India, then the Government should do it. If the Government thinks it is not desirable then there is no question. The shipping giants are so big that small companies have no chance against them.

16753. *Mr. Birla:*—It appears, Mr. Madon, that you want a uniform import duty on all imports. You say in answer to Question No. 11: "There should be duties on

all imported manufactures, not on a few selected articles." The objection which has been raised against this is: it is quite possible that in some cases protection will lead to the establishment on expansion of certain industries which will contribute to the national wealth, but if heavy duties on certain articles did not lead to the establishment of factories for manufacturing them, because there were no natural resources, then the consumers will have to pay unnecessarily high prices, and the high tariff would give no benefit at all.

A. I have already answered this in connection with a previous question by saying that I did not see why any industry could not be started in this country. There would be very few that could not be started. On the other hand, most of the industries that cater to our every day requirements could be and should be started in this country. There is no reason why they should not be. They have done it in America, Germany, Japan, England, etc.

16754. *Q.* You know that Germany and America also have to import certain articles from foreign countries?

A. I have got a comparative table of the exports of the United Kingdom to foreign countries, and it shows very clearly that it is not only free trade India and free trade China that buy these exports, but also very highly protectionist countries like Germany, France, United States, Russia, Japan and Italy, Belgium and to a certain extent the Union of South Africa. And India, when we have gone over to a protectionist policy, will, to my mind, do what all these countries have done, *i.e.*, it will go on importing a great many articles, but they may be entirely different articles from what we are importing to-day. We will go on importing. Importing is a corollary of exporting. If we sell to a foreign country, we will not always get back our price in gold and silver, but in the form of other articles.

16755. *Q.* But you know very well that even protectionist countries do not impose any duty on the import of raw materials?

A. Exactly. I am not in favour of having import duties on raw materials.

16756. *Q.* So, you will discriminate in favour of imports of raw materials?

A. Yes. I am for duties against imported manufactures.

16757. *Q.* But there are certain articles which are semi-manufactured and used for other manufactures. Take for instance, machinery. Some semi-manufactured articles are used in its manufacture. Or take oil, which is used for the manufacture of paints, varnishes, etc.?

A. My answer would be that these intermediates of manufacture should also be produced in this country, and we should aim at doing it, and the only way to aim at doing it is to give protection for the manufacture of such semi-manufactured articles. Only raw materials should be entirely free, because otherwise what will happen is that a foreign manufacturer will get his raw materials without any tax and if the Indian manufacturer gets it taxed, then to that extent the protection we are trying to give the latter will be taken away from him.

16758. *Q.* You know that at present we have a heavy import duty on sugar. How far has it encouraged the manufacture of sugar in this country?

A. I do not think I am competent to answer that as a technical expert. But the real problem is we must consider not only refined sugar but also the by-products of the sugar industry. If a sugar manufacturer finds that it is not possible for him to dispose of his by-products with a tariff only on sugar, then he may not go on. As a matter of fact, there are certain sugar manufacturing factories going on in the country and making reasonable profits, and with protection their profits should be larger and they might be able to stand competition. But we have not had sufficient time to say whether the present duty has acted as sufficient protection or not.

16759. *Q.* My only point is, why not have discriminating tariffs instead of a blind uniform tariff?

A. I am not against discriminating tariffs. We should have a uniform tariff on all imports which should be sufficiently high to give a supporting chance to new industries being started, and then if particular industries require higher duties or other facilities Government should certainly consider it and decide whether they ought to be given or not.

16760. *Q.* In answer to question No. 18, you say: "So far as British or foreign industrial firms come here at their own risk I would welcome them." I do not quite understand what you mean by "at their own risk." What is the risk?

A. Every industry has risks. You may work out your profits on paper, but when you establish your industry you may find some difficulty which will upset your calculations and make your proposition a losing concern.

16761. *Q.* You say that the foreigners may establish themselves under our protective wall?

A. Yes. My point is that they will be object lessons to Indian capitalists.

16762. *Q.* You elaborate the advantages of protection in your answer to question No. 9. Do you think that if under protection foreign capitalists do come to India and establish themselves here, you would be able to get all these advantages to their fullest extent?

A. I have defined the advantages from a factory owned by a foreign company to be greater employment and training of our own labour, because they cannot possibly import 5,000 to 10,000 labourers from their own country, and the very existence of such a factory and its making money would be an incentive to our capitalists to establish factories and make money. Beyond that, I do not think that we can learn the trade secrets, because in commerce people are not philanthropic: rather they try to keep their secrets to themselves. I must say in a company where the management is entirely foreign the concern will continue to be foreign.

16763. *Q.* Then, it will have both advantages and disadvantages?

A. What disadvantages, Sir?

16764. *Q.* I mean the large industries will in many cases be controlled by foreigners. The only advantage which you will get will be greater employment and training for our labourers.

A. The only disadvantage that I can think of is that such a foreign company with a large capital might be so powerful in this country as to stifle the establishment of any industries by purely Indian capitalists. If that is the case, if there is any unfair competition, underselling or under-cutting, then it would be a problem for our Tariff Board to consider, as has been done in other countries. In Germany they had cartels and in America the trusts. If such cartels or trusts are created in this country owned entirely by foreigners or even by Indians, then it is always open to the legislature to see to it. If they find that unfair competition is being created and it is detrimental to the interests of the country, they must prevent it.

16765. *Q.* You want to leave it to the future generation?

A. To the future Government of the country, *i.e.*, to the future legislators.

16766. *Mr. R. A. Mant.*—*Q.* I want to clear up your general position in regard to import duties. You want to impose a high general tariff on all manufactured articles for protective purposes?

A. Yes. That is my point.

16767. *Q.* And you would watch the effect of that tariff with a view to raising the general rate on certain articles which require it?

A. Yes, that is my point.

16768. *Q.* Can you give me an idea of what figure you contemplate for your general rate? You have now practically a general rate of 11 per cent.

A. I think that is rather low in our present stage of development. I would put it higher between 20 and 30. There may be particular articles which the Government may decide to keep at a lower level, say, 10 per cent. or 15 per cent. if they think it right, as they have to-day a $2\frac{1}{2}$ per cent. on certain articles.

16769. *Q.* That would bring in a considerable extra revenue?

A. It may. It should in the first few years, because there would be nothing produced here to replace the imports.

16770. *Q.* How would you fit it in with your financial system? The principle is to get only so much by taxation as is needed for administrative purposes.

A. We have so many sources of revenue. We can reduce the taxes on other articles. If we get 10 crores more from customs, we can take away 10 crores from salt, etc.

16771. *Q.* You propose to reduce other taxes?

A. Yes.

16772. *Q.* When you said you would impose duties on manufactured articles, I understood that you meant by manufactured articles which have gone through any process of manufacture. You said to Mr. Birla that you won't call semi-manufactured articles raw materials. Can you tell me which is a raw material? Is it an article which has not passed through any process of manufacture?

A. "An article which comes out from the ground" would be a definition of raw material. Most of the semi-manufactured goods are a combination of such raw material and some labour applied to it.

16773. *Q.* You realise that the effect of very high protective duties would be considerably to raise the prices to the consumer. You answer that by saying that the consumer is also a producer and that he would benefit as producer to the extent that he suffers as consumer. Is not that your general position?

A. Yes.

16774. *Q.* That might be all right in particular cases. But suppose the price of the article he produces does not rise. The largest class of producers in this country are agriculturists. How would they benefit by this rise in prices? They would suffer considerable loss as consumers, but as far as I can see they would not gain as producers, because the price of their produce would not rise.

A. In agriculture there are owners and there are labourers, and my impression is that the number of labourers that live by agriculture is far larger than the number of owners who make profits as capitalists.

16775. *Q.* There are a large number of owners in the country.

A. I agree, Sir. I contend that agricultural wages will also tend to rise as some of that labour is drawn to industries, and so the agriculturist will not suffer. Of course, that may be called a general statement of opinion. So, I want to point out the case of Japan in which my point is demonstrated. In the last 15 years the masses of Japan have not only been able to pay these extra duties and live a better life, but they have also been able to save these hundreds of millions. If this is not a demonstration that the consumer has not suffered in real income, I do not know what else can be.

16776. *Q.* Take the case of the man who is a producer of agricultural produce, the small land-owner. How will he benefit by the system of duty you propose?

A. The small land-owners do not form the largest class in the country.

16777. *Q.* I should say they are one of the largest classes.

A. Then, I do not want to contend that every one in the country is going to be benefited. Under any policy that we adopt for the sake of the country some sections of the population are bound to suffer.

16778. *Q.* Then the agricultural land-holder has got to suffer?

A. To a certain extent, but many of them are very rich particularly in the north of India.

16779. *Mr. Jamnadas Dwarkadas:* *Q.* To pursue the point that was left by Mr. Birla a little further, you are in favour of a high protective tariff on all manufactured articles?

A. Yes.

16780. *Q.* And you say that will encourage the industrial growth of this country?

A. Yes.

16781. *Q.* There are some raw materials in this country which are not used for manufacturing purposes in this country, but which are exported outside and return in the shape of manufactured articles. It is not possible at least for a number of years to manufacture them here. Now, if you have a high import duty on the products manufactured out of such raw materials, the export of these raw materials would diminish and the cultivator would thus suffer?

A. The raw material will continue to go out. I do not think there is any article for which India is the sole market. The manufacture of that raw material, therefore, will still go on, and if anything at all, India will be paying a higher price for that part of the article which she buys.

16782. *Q.* Is it or is it not your experience that because the prices of imported articles went up, the quantity consumed went down?

A. I am afraid I do not agree with that position. The real fact was that so long as the war lasted the prices went up and still there was scarcity of articles.

16783. *Q.* Your position then, is that high prices do not affect consumption.

A. Yes if the income also rises.

16784. *Q.* There are certain materials which are manufactured and which cannot be technically called raw materials, but which are raw materials in relation to other articles that can be manufactured from them. If you have high import duties on these intermediate articles which cannot be manufactured for years to come in this country, don't you think that you would be hampering the industrial growth of this country?

A. I do not think that there are industries, excepting where patent processes are necessary, that could not be started in this country if you give them sufficient protection, that is, circumstances favourable to their production.

16785. *Q.* Suppose to-day you are in a position to manufacture a finished article provided you have certain raw materials in your hands. By raw materials I mean those intermediate articles. Would you, in order to support your theory of having a heavy import duty on all articles, prevent the manufacture of the finished article by having a high import duty on the intermediate article or would you allow the manufacture of the finished article and have no import duty?

A. My position in such a case would be to tax that semi-manufactured article at a lower rate, than the fully finished article.

16786. *Q.* Would you then adopt a policy of discrimination in such cases?

A. Yes.

16787. *Q.* In answer to question No. 2, you say that you would not have direct taxation but that you would have revenue from customs tariff. Now there is an argument brought forward by various people that you cannot have revenue from customs tariffs beyond a certain limit, and that if you raise the customs tariffs your revenue is likely to fall because your imports will fall. Do you think there is any weight in that argument?

A. Well, I do not agree that imports will fall, because the experience of other countries which had adopted protective policies before is that the imports continue. Take the case of Germany, one of the strongest protectionist countries. In 1905 its imports from the United Kingdom was 29 millions, in 1907, 41 millions and in 1912, 40 millions, so that even highly protectionist countries like Germany continue to import and to import even more largely than before. The same is the case with France on a larger scale. I have tried to take percentages which shows something remarkable. If you compare the year 1912 with 1905 you find that the growth of exports of the United Kingdom to India was 134 that is, 34 per cent. more, taking the figure for 1905 as 100. In the same year the figure for Germany was 136; the expansion was higher than for India. The figure for France was 160, Russia 170, and so on whereas in the case of China, which is a free trader, the figure went down from 100 to 82. In 1913 there seems to have been an exceptional rise in exports to India most probably on account of the prices of jute goods having jumped from £57 millions in 1912 to £70 millions in 1913. But in the following year they again dropped to £62 millions. These figures show that the quantity of imports is not likely to be reduced with a protectionist policy in this country because the general wealth will improve and our wants will increase and we shall require our articles from abroad.

16788. *Q.* This is your answer to the argument put forward against import tariffs?

A. Yes.

16789. *Q.* Do you think that import tariffs will increase the wealth and resources of the country?

A. It is perfectly clear. Every individual unit working for agriculture is growing new wealth at the rate of Rs. 20, 30 or 40 per head per annum. If every individual of that agricultural labour is once brought into the industrial field and becomes fully trained, the industrial labourer will produce ten times that amount of wealth. The amount of production is sure to mount up and that means that national wealth will increase. There is no doubt about that. This has been demonstrated in the case of Japan.

16790. *Q.* With regard to direct taxation, considering the present industrial backwardness of the country, is it your opinion that direct taxation will be a hindrance to the growth of industries in India?

A. First of all, direct taxation falls on very few heads. Besides it is alright in times of high prices and very big profits, because you get crores of rupees. But it becomes very burdensome the moment the profit melts away and becomes normal or even less. You find that even in England to-day there is a very strong agitation against direct taxation as impeding manufacture and making it impossible for the English manufacturers to compete with their neighbours in foreign countries. My own feeling is that there should be no further direct taxation, I mean that there should be no appreciable expansion of direct taxation.

16791. *Q.* Would you say that even the present rate of taxation is unjustified?

A. In my opinion, it is not unjustifiable.

16792. *Q.* Then, direct taxation is not burdensome?

A. Not at present.

16793. *Q.* You talk about the system that obtains in Japan where foreign manufacturers and local men join hands and adopt a system of capital sharing, control sharing and profit sharing. Can you give us an idea as to how this system works.

A. I am not acquainted with any of these companies, so, I won't make a categorical statement. But I believe there have been difficulties in holding them smoothly together. On the other hand the Japanese part of the concern have always got the upper hand because many of those industries depend for a good part of their trade on orders from Government, public bodies and so on; and to get such orders the influence of the Japanese directorate is very great if not paramount. So, whenever there may have been frictions they are bound to be got rid of because the foreigner partner will see that if he persists in his own views the whole concern will go to the dogs. So, more or less there is a compromise always. I do not say that the Japanese always get their own way, but they get their way most of the time.

16794. *Q.* My object in putting this question was to see how it would work here. Don't you think that the same conditions will prevail if foreign firms establish themselves here? These firms when established are not likely to do harm to the country.

A. I do not say there is any harm. There are certain good points which an Indian-managed concern can give to the country such as the ultimate establishment of industries in the country, the ultimate training of superior labour, creation of great captains of industry and so on. If you have foreign companies then most of the captains of industry will continue to come from the particular foreign country. It is quite natural. The consequence will be that in those industries we will simply be hewers of wood and drawers of water. Whereas in the case of the Indian-managed industries the men in the lower ranks of supervision will gradually be allowed a chance of higher responsibilities and thus get trained to be captains of industry.

16795. *Q.* With regard to the question Mr. Rhodes asked, I think he asked, if I am not mistaken, about the dangers of giving monopoly to Indian concerns in the matter of shipbuilding.

A. I am afraid I was not properly understood then. I did not mean any monopoly to an Indian company. What I said was that the coasting trade of the country should be confined to companies organised and controlled in India.

16796. *Q.* Do you think that in Japan, America, Australia and other countries the coasting trade is in the hands of local companies?

A. Yes, it is the case in Japan. I do not know of other countries.

16797. *Q.* How do they manage there? Perhaps there is not much competition there.

A. There is a great deal in Japan. Still the Japanese maintain their own position in the trade, because there are, say, 20 Japanese companies. Possibly one or two come to the top and the other companies have a sort of haphazard existence. In any case the companies that particularly get the control of the trade are also Japanese and as there is no confinement of the coasting trade to any particular company, new companies are constantly growing up, people start new companies, and then they find that a particular line is well paying and so they venture in it and so on.

16798. *Q.* Is it not in any way disadvantageous to traders?

A. I do not see how it can be. Because there is sufficient competition as between the Japanese themselves.

16799. *Q.* In India also the same conditions would very likely prevail.

A. Yes. If we had this, there would be, I am sure, many Indian companies arising to take advantage of the concession given.

Witness No. 112.

T. V. BADDELEY, Esq., C/o Allen Brothers and Company (India), Limited, Canada Building, Home Street, (P. O. Box No. 413, Bombay).

Written statement, dated the 12th January 1922.

Section A.

16800. *Q.* 1. Protection, particularly in the case of industries which are likely eventually to be able to face foreign competition, or in the case of existing industries which may need temporary protection to enable them to improve their quality or style of outturn. Apart from this I would favour a continuance of the heavy revenue-raising import duties on all articles of luxury.

16801. *Q.* 5. Little or no effect. The policy has not been such as to encourage or assist the establishment of new industries in India. The recent increase in duty on imported piecegoods has assisted the cotton mill industry, but it is difficult to say to what extent, as the increase was made at a time when the import trade was passing through a crisis brought about by overtrading at high prices, and by the subsequent fall in exchange.

My own opinion is that the falling-off in imports of cotton piecegoods is not a result of the increased duties but is due to the deplorable market conditions and to the wave of sentiment in favour of Indian made cloth, which has spread throughout India.

16802. *Q.* 6. For revenue purposes only, if and when the Indian manufacturer is in a proved position to compete with the imported article.

16802a. *Q.* 9. I consider that this should be the object, revenue consideration being satisfied. The country is almost undeveloped industrially, new industries must be commenced on a relatively small scale, and must be proved before capitalists or the public generally can be expected to invest money in them. At this stage no industry can be expected to hold its own against the overseas concern backed by money, reputation and the experience of years. The overseas manufacturer with the above advantages, and with the lower costs which his larger production for the Home and other markets makes possible, is able to stifle the Indian concern in its experimental stage. The infant concern should be protected until it is in a position to repay the State by utilising the raw materials the country possesses, by finding reasonably paid employment for some of the many who need it, and by the taxes it pays on the profits retained in the country.

16803. *Q.* 10. I cannot think of any country in the world which produces all its requirements of manufactured goods.

16804. *Q.* 11—14. Only those industries which are likely after a period to be able to face foreign competition should be selected for protection. The only exception I would make would be in the case of any key industries which the Government of India might consider it essential to establish on grounds of National security.

16805. *Q.* 16. I see no point in assisting such hand industries, as were rendered economically unsound years ago by the introduction of improved methods of manufacture. The peasant can spin or weave for his own family requirements, but he cannot continue to make and sell at a profit once power plant to manufacture the same article is established in his vicinity.

16806. *Q.* 17. I do not think there is much danger of combination for this purpose for many years to come. If such a combination did come into being, and it could be shewn that the price fixed left manufacturers more than a reasonable profit, the combination might be given the option of reducing prices or of seeing duty-free imports of the goods they were controlling.

16807. *Q.* 18. This effect probably would be seen. I consider such a movement would be beneficial, as such concerns would assist by their knowledge and experience in introducing new industries upon sound lines. Further they would certainly look to India for much of their capital. They would of necessity have to employ and train Indian assistants, the better among whom would eventually be given positions of authority, or would assist in the development of new competitive concerns.

16808. *Q.* 20. I am afraid the larger part is passed on to the consumer, but I consider this would be much more than counterbalanced by the advantages of an industrial expansion.

16809. *Q.* 23. Not if the production were afforded only to articles which India would be in a position to produce competitively after a period of protective nursing.

16810. *Q.* 24. As regards A. and C. Yes! As regards B the majority of this class use very little that is imported except perhaps, sugar on which a duty of 15 per cent. is already imposed.

16811. *Q.* 29. Yes. A small standing committee who would consult the Provincial Directors of Industries, Collectors of Customs and representatives from the Chamber of Commerce.

Section B.

16812. *Q.* 35. Yes! I favour preferential tariff rates to those countries giving India preferential rates, provided that the lowest duty is sufficient to afford the degree of protection suggested in my reply to Question No. 9.

Section C.

16813. *Q.* 43. The cotton mill industry and the manufacture of paints, boiled oil and varnishes. I have also experienced the difficulties in the way of manufacturing matches on a large scale in this country. I would explain that my firm has large importing interests, and that in the following notes I confine myself to paint and allied products as an industry comparatively new to India.

16814. *Q.* 44. Yes! India is one of the largest producers of linseed oil and has deposits of ochres and barytes very suitable for paint making. In close proximity are the Persian Gulf deposits of iron oxides, the best in the world. Indian ochres are at present being largely exported.

16815. *Q.* 45. It is certainly of substantial importance to the prosperity of the country. India buys very large quantities of paint and oil annually, and it is one of the few countries in the world which is not supplying at least part of its own needs in this direction.

16816. *Q.* 46. There is one well equipped concern which has been manufacturing paint successfully for some years. Five other concerns have been floated since the war and they are in varying stages of equipment. As regards oil, there are a number of mills expressing and boiling linseed oil, some have regularly made a good profit, but others are not doing well. The frieight on oil seeds to Europe is very little, and, owing to there being a ready market for the oil cake there, very keen competition is felt from linseed oil expressed and boiled in Europe and shipped to India.

16817. *Q.* 47. India itself, as there is a very large consumption of paints, compositions, boiled oils, etc., by the Railways, public buying departments, dockyards, and the general public.

16818. *Q.* 48. The competition is principally British, although latterly a large trade has been done in cheap American and Japanese paints, while Germany is again offering her products at extremely low prices. The competition extends to all classes, although it is most keenly felt in the case of boiled oils, cheap bulk paints and white zincs and leads.

16819. *Q.* 49. Generally speaking no. The competing countries can obtain some articles, such as zinc oxide and fine pigments more cheaply than we can. They can also specialize to a greater extent, as the organization of industry generally in other countries enables a paint manufacturer to obtain materials ready prepared which we in India must prepare for ourselves. Our competitor is also able to obtain cheaply much better containers (tins, drums, etc.) than are obtainable in India. His reputation is a very material help, of course, as there is an unfortunate tendency even among Indians who are actively desirous of supporting the country's industries, to look upon anything produced in India as being of poorer quality than the imported article. This does not apply by any means only to paints, but the result is that the struggling Indian manufacturer is expected to sell his products at much below the market price of imported articles of similar quality.

16820. *Q.* 50. At the present moment we pay the same import duty on those materials which we are compelled to import for paint-making as is levied on imports of made up paints. In this connection I append copy of a letter addressed by my firm to the Government of India in the Commerce Department.

"We beg to say that the above-mentioned Company has recently been formed with a view to manufacturing, in Bombay, all descriptions of paints and varnishes. For the manufacture of certain paints, we have been importing from the United Kingdom, various pigments, amongst which may be mentioned the following:—

White zinc.
Lithophone.
White and coloured lead.
Whiting.

On these we have been charged by the Customs Department a duty of 11 per cent. *ad valorem*, as they are apparently classified under 'Paints and colours and painters' materials, all sorts".

"This duty undoubtedly imposes a heavy handicap on what is, in this part of India, a comparatively new industry, and we therefore approached the Collector of Customs, Bombay, with a request that it might be remitted, but were informed by him that, under existing rules, no remission was admissible.

"We therefore beg to place the matter before you for your consideration. It may be pointed out that none of the materials mentioned can at present be obtained from Indian sources. They are for the most part produced as by-products in industries which have not yet been started in this country, and it is recognised that their preparation cannot economically be undertaken by paint manufacturers. They are, therefore, in so far as the latter are concerned, essentially raw materials, and as such should, we consider, be admitted free of duty. We may perhaps, be pardoned if we quote, in this connection, certain remarks made by His Excellency the Viceroy in his reply to an address presented to him by the Bengal National Chamber of Commerce at Calcutta on the 9th instant. His Excellency said:—

> 'We must—and I suppose there can be no difference of opinion on this—concentrate attention on developing the industries of India, upon extending manufactures in India, either by the use of raw materials produced in India or even raw material which may have to be imported into India.'

"It seems to us that this is a case in point. There can be no large development of the paint-making industry whilst there is a duty of 11 per cent. on raw materials which, at present, must be imported, and, in the case of some of the finer colours, will probably have to be imported for many years to come, as there will not be sufficient demand to warrant local manufacture. The encouragement of local industries by the remission of import duties has been recognised in the case of such materials as China clay for the Bombay Cotton Mills, and it is thought that a similar concession might be made in respect of all raw materials imported for the manufacture of paints when it can be shown that they are being imported for this purpose.

"We understand that it is the accepted policy of the Government of India to give all possible encouragement to the development of local industries, and we therefore trust that they will be pleased to grant the concession for which we now ask."

The materials referred to in the above letter go through a process of manufacture or preparation, but they are for our purpose raw materials, and should be allowed in free of duty. The bulk of our material is, however, to be found in India and during the period that the industry is testing these materials practically and establishing its organisation and equipment, I consider it should be protected by a duty of 20 per cent. on all paints.

16821. *Q.* 51. It will eventually be able to face competition without Government aid.

16822. *Q.* 52. It has not so suffered hitherto.

16823. *Q.* 53. In the case of Germany. Yes!

16824. *Q.* 58. No.

16825. *Q.* 59. I do not know what probability there is of zinc or lead oxides being produced in India.

16826. *Q.* 60. The latter.

Oral evidence, dated Bombay, the 20th February 1922.

16827. *President.*—*Q.* Mr. Baddeley, you are the representative of the Allen Brothers and Co., Ltd.?

A. Yes.

16828. *Q.* Are you interested in the cotton industry and the manufacture of paints, boiled oil and varnishes?

A. Yes, among other things.

16829. *Q.* Do you favour protection for the establishment of industries which are likely eventually to be able to face foreign competition?

A. Yes. I should point out that we are large importers of manufactured goods and therefore I should be expected, other things being equal, to be a free trader rather than a protectionist.

16830. *Q.* As a matter of fact you favour protection?

A. I am a discriminating protectionist.

16831. *Q.* Then you favour protection for the maintenance of such industries as are likely to be able to face foreign competition?

A. Yes.

16832. *Q.* Then, in your opinion, the policy adopted by the Government of India in regard to customs duties has not been such as to encourage the establishment of local industries?

A. I cannot find that there has been a policy except as regards cotton goods.

16833. *Q.* It is clear that the policy of the Government of India has been a revenue tariff?

A. Yes.

16834. *Q.* Then, you don't think there is any decided policy at all?

A. So far I have not been able to find it out, except possibly as regards cotton goods.

16835. *Q.* Your position, especially in dealing with the new industry which you have started, namely the manufacture of paints, varnishes, etc., is that all the raw materials that you require for the purpose of this industry should be allowed to be imported free.

A. Yes. I think it is an unfair position that the manufactured paint can come under the same tariff as raw materials, or if not unfair, it is not an arrangement which can help the industry very much.

16836. *Q.* You think that the present tariff policy which is a uniform rate of import duty is not helpful to the establishment of industry. . . .

A. Yes. It is not helpful.

16837. *Q.* Your point is, then, that those articles which are required for manufacture in India should be allowed to be imported free or on a nominal duty?

A. Not necessarily nominal rates so long as there is a reasonable difference between the rate on the manufactured articles and raw materials.

16838. *Q.* What change would you advocate in the present tariff rates for the import of articles which you require for the manufacture of paint and varnishes?

A. There are three or four articles which we must have—such as zinc oxide, lead oxide . . . . .

16839. *Q.* Do you want to reduce the duty on them? What is the rate you require for the import of these articles?

A. I think they would stand a 2½ or 5 per cent. duty. I think they should stand it. But they come in as painter's materials at an 11 per cent. duty, while manufactured paint comes in on the same duty.

16840. *Q.* You want discrimination to the extent of 50 per cent. of the duty on the finished articles?

A. In that particular case, yes.

16841. *Q.* What prospects are there for manufacturing those articles in India for which you now depend on imports?

A. I am afraid I cannot say.

16842. *Q.* Do you think that an 11 per cent. duty on those articles would contribute to the manufacture of these articles in India?

A. No. I do not think so. They are produced as by-products in industries which have not been started in this country.

16843. *Q.* Briefly your position is that raw materials or semi-manufactured articles required for factories in India should be allowed to be imported at more favourable rates than the imported finished articles?

A. That is so.

16844. *Mr. Jamnadas Dwarkadas.*—*Q.* Would you advocate protection to the cotton industry?

A. Do you consider the present difference between the excise duty and the import duty on cotton goods is protection? It is protection decidedly.

16845. *Q.* The excise duty is 3½ per cent. and the import duty is 11 per cent. Do you think that is sufficient protection, or would you advocate more?

A. I think it is a reasonable degree of protection. If such protection had been allowed in the beginning to the cotton industry as I now ask for, I do not think you would have needed it to-day. You may say that the cotton industry has been established long enough and that it should now face, if it is ever going to face, foreign competition. I say you did not protect it in the beginning. The cotton industry was commenced at a time when there were no industrialists in India, and in the early days many of the mills were badly mismanaged.

16846. *Q.* Don't you think that the policy in regard to the cotton industry has been up side down? Instead of giving protection to the Indian industry when it was in the infant stage, indirect protection was given to the Lancashire industry by means of the countervailing excise duties.

A. To my mind there is no question that it has been dictated by Lancashire. A further reason why I think you should continue to help the industry is that we are producing gradually finer stuffs. As time goes on you won't be content with coarse cloths. If you are to encourage the spinning of finer qualities the industry must be helped. It must be put in a position to do it.

16847. *Q.* With regard to the paints and varnish industry, do you think that the prospects of the industry would be hampered if the present policy of levying a uniform rate of import duty on these intermediate articles which are raw materials for your purposes is continued; that is if the present policy of levying the same import duty on the raw materials as on the finished products is continued?

A. It must be hampered so long as the man on the other side can place his finished product into India at the same import duty that we pay on raw materials.

16848. *Q.* The protection that you want for the paint and varnish industry is in the form of lower import duties on these intermediate articles?

A. They are very few. The bulk of our raw materials will come from India.

16849. *Q.* In addition to this would you want any further protection?

A. I do not think further protection is necessary with the present import duty on manufactured paints at 11 per cent. There are certain paints which you cannot make without those particular products which you have to import. There are others which we can make from the Indian raw materials. Those paints which we cannot completely make without the imported products form a fairly large part of the paints used. We must be able to compete in that class of paints equally well as in the coarser paints. At the present moment I think probably ¾ of the paint produced in India is rough and cheap and made from Indian raw materials. The Railways and steamships companies take such paints.

16850. *Mr. Mant*: *Q.* You have said that you have also experienced difficulties in the way of manufacturing matches on a large scale in this country. Can you tell us what the difficulties were?

A. We established a match factory in Bareilly with, I think, very uptodate machinery and supposed to be the best we could get. The causes why it did not pay are obscured by the fact that war broke out soon afterwards. It is rather difficult to say why the factory did not flourish. In our case we could get no chemicals until we went to Japan. As soon as the Japanese found that we were competing with their matches they cut off our supplies of chemicals. There is no question of it.

16851. *Q.* Who? The Japanese Government?

A. I cannot say this. All we know is that a report on our factory from the Japanese service was published, and that we were unable after that date to obtain any supplies of match making chemicals. Another difficulty was blue paper for the box. That again was very difficult to obtain. A third difficulty was that we got no assistance from the railways and were badly handicapped. The railway freights were very high, and the railways were not at all anxious to carry matches.

16852. *Q.* But they have to carry imported matches all over India?

A. Probably in tin-lined cases.

16853. *Q.* You did not use tin-lined cases?

A. No.

16854. *Q.* That is why the railways did not wish to carry them.

A. Yes. In practice we found that we could sell our matches in the vicinity of our factory. But we could not put them on the market in Bombay or Calcutta. Then the war broke out, and the factory had to go eventually.

16855. *Q.* What I want to get at is whether your difficulties were due to the war or whether you regard them as permanent handicaps on the matches industry.

A. You must import chemicals, you must import labels, if you are going to sell your matches at all.

16856. *President.*—*Q.* You had got wood, had you not?

A. We had a lot of difficulty in the beginning. But I think the wood was quite satisfactory afterwards. We had to cut the wood thick instead of thin.

16857. *Mr. Mant.*—*Q.* You got over that difficulty?

A. In the beginning we could not get the wood satisfactorily. But towards the end I think our wood was quite satisfactory. We had to cut the sticks a little bit thick instead of thin.

16858. *Q.* Really your main difficulty (I am talking of the future) is having to import certain materials. That stands in the way of your establishing the matches industry.

A. You would also have to pack them in such a way that you could rail the packages conveniently to other places. I do not know how you would do that.

16859. *Q.* Is packing an insuperable difficulty? You mean you cannot get packing materials?

A. It is very difficult to get tin-lined cases in India.

16860. *Q.* Is not the tea industry doing it?

A. They are using soft lead-lined cases, and soft lead is not much protection against fire.

16861. *Q.* Those are the main difficulties?

A. I understand wood is the main difficulty with the factories in Gujerat.

16862. *Q.* You say that there is one well equipped concern which has been manufacturing paint successfully for some years, and that five other concerns have been floated since the war and are in varying stages of equipment. From this it rather looks as if *primâ facie* we need not protect the industry.

A. No. It is not so, because one concern got an artificial push off, that of the war period when very little paint was coming into India, and when I know all the Government buying departments always went to them for paints whenever possible. They are not a public company, but I think their figures will show you that they have made extraordinarily large profits on a very small capital. They are in a position to carry on. They have probably doubled their machinery. I think they have made big additions to their machinery out of profits.

16863. *Q.* Five other companies have also started.

A. They have started to the extent that they have been floated. They may or may not flourish. They have not put any paint on the market yet.

16864. *Q.* It looks as if the industry is promising.

A. I do not know. There were a lot of companies floated during the war that have since liquidated.

16865. *Q.* Do you think they were floated owing to the war conditions?

A. I think they were floated in view of the profits made by the one pioneering concern, and I do not think they realised that these profits were war profits. Those profits were extraordinarily large.

16866. *Q.* I do not quite follow the point of your remarks about oil. Do you ask for a duty on oil?

A. There is a duty at present on oil.

16867. *Q.* 11 per cent.?

A. Yes, on linseed oil.

16868. *Q.* Then you are not asking for any further duty on it?

A. No. We can buy Indian expressed linseed oil cheaper than the better known imported oils. We do not express the oil ourselves. We know people who express them. The difficulty lies in the fact that the oils are being expressed in India which means that you must sell them cheaper than the other people. The paint which we make from purely Indian raw materials and Indian linseed oil can undersell European paints. We can undersell the imported products to-day, but even so it is a very difficult thing to get a market. Naturally any really well-known paint will find an easy market. It is natural to pay a little more and take it rather than take the unknown article produced in the country.

16869. *Q.* Is the imported article superior or has it merely got a name?

A. I think it is due to the fact that the Indian manufactured article, even among Indians, is looked upon as inferior. I do not say that it is inferior. I say that we can manufacture any paint equal in quality to any imported paint.

16870. *Q.* Perhaps, it is a matter of time.

A. Yes. That is why we require assistance to get over that period. We say we shall be able to manufacture paint at prices which will compete with the imported article. All we ask for is assistance in order to get over the initial period. There are raw materials in India to-day (they are very considerable) for paint making, but all of them have not been proved. You require time to establish more paint works. You cannot have more paint works until you get a demand.

16871. *Q.* With regard to those raw materials which you ask should be imported free when it can be shown that they are imported for the purposes of paint making, the Customs officers have certain objections to exemptions of that sort in that they entail subsequent verification of the use to which the articles are put after they leave the custom house. It will lead to trouble obviously because it will involve looking into firms' books. Are these articles which you import utilised for other purposes as well?

A. None that I know of. The articles which we asked the Government of India to treat specially are imported purely for paint making. I know of no other use to which they are put.

16872. *Q.* When articles are used for particular purposes only it is better to exempt them unconditionally.

A. I know white zinc is classified by the Customs as painter's materials.

16873. *Q.* Whiting?

A. Yes.

16874. *Q.* You do not know of any other use to which these can be put?

A. No.

16875. *Mr. Birla.*—*Q.* You say that you see no point in assisting such hand industries as were rendered economically unsound years ago by the introduction of improved methods of manufacture. I think you must know that at present nearly one-third of the consumption of the cloths in this country is provided by the hand looms, and you cannot therefore say that they were rendered economically unsound years ago. In these circumstances wouldn't you give them some assistance so that they can be put on a better footing?

A. Are you referring to the present moment?

16876. *Q.* Not necessarily.

A. Before the war there was a very strong sentiment in their favour.

16877. *Q.* No. Even before that. As a matter of fact the qualities woven in Benares, Madras and other places are very famous.

A You mean the finer cloths?

16878. *Q.* I do not mean the finer qualities alone. I mean the coarse ones also.

A. I think there are only one or two countries in Europe now which can afford to weave on the handloom, Bulgaria and Serbia, for instance.

16879. *Q.* I do not think the handlooms are economically more sound than the power mills, but still as a cottage industry it would be economically sound.

A. I should be sorry to see the handloom industry go out because there are some very nice cloths made, but I cannot look upon it as a business proposition. As a spare time occupation for the agriculturist it is undoubtedly very useful. He can afford to weave for his requirements. I am quite sure the mill industry do not look upon it with hostility. The fact that he can at present sell his cloths proves nothing, because we can sell certain locally spun yarn at higher prices than we can sell imported Lancashire yarn. It is all a matter of sentiment.

16880. *Q.* They have been selling it for so many years. A professional weaver who weaves cloths sells at a profit. That shows the industry is not economically unsound.

A. Does he sell at a profit in any district in which there is a power mill?

16881. *Q.*—Yes. He can sell it at a profit, of course, not on a big margin of profit, but at a small profit which would not be tempting for big capitalists.

A. I express no hostility towards hand weaving. On the contrary I should be very sorry to see it become extinct. But the only point I cannot see is that it can remain.

16882. *Q.* It can remain, as it has remained up to now.

A. As soon as we get more machinery many new mills will come in.

16883. *Q.* But you will always require some sort of cottage industry for your spare time?

A. Yes.

16884. *Q.* In answer to Question No. 18 regarding foreign capitalists, you say "They would of necessity have to employ and train Indian assistants, the better among whom would eventually be given positions of authority, or would assist in the development of new competitive concerns." Do you think from past experience, that the factories controlled by the foreign capitalists have provided employment to the Indians in this country? Is that our past experience?

A. I do not look upon what has happened in the past as a criterion. I would point out that at the present moment you have very efficient Indian and Parsi masters in the cotton industry.

16885. *Q.* Because the cotton industry is almost in the hands of Indians. Take jute. You find very few spinning and carding masters or managers in the jute mills. That shows that Indians get better chances in Bombay.

A. Can you tell me the type of Indian who works in the jute mills. Is he a Bengali?

16886. *Q.* Yes.

A. I should say then that the reason is that the Bengali is not an industrialist.

16887. *Q.* In the beginning even people of this province were not industrialists. We can get to-day many people in South India as spinning masters or managers of cotton mills. You have also got many good Bengalis likewise?

A. Speaking from experience we have Parsi and Indian weaving masters and engineers who are drawing as big salaries as the Europeans in Bombay, but I know of no Bengali spinning or weaving master.

16888. *Q.* You cannot say that there is not a single Bengali who could be employed in the jute mills in the higher posts. They are also a very intelligent race, the community should contain many good men.

A. I admit it, but they are not an industrial race, and further you do not find that joining of capital interests in Calcutta between European and Indian firms that you find in Bombay.

16889. *Q.* Because the atmosphere is quite different in Calcutta. That might be the reason.

A. In Bombay the European firms have much more intimate and joint interests with Indian firms and individuals than they have in Calcutta.

16890. *Q.* I wanted to make sure whether under protection if capitalists come to this country and establish themselves they would take Indians on the higher posts.

A. If they don't the better class of Indian employees will go somewhere else. Capital can always be found for starting proved industries. They will start companies and will compete with the foreigners.

16891. *Q.* You cannot say with certainty that the Indians will get some training in some of these new industries in which they were not accustomed to work before.

A. A foreign company coming to India will in all probability want some Indian capital, and Indian capitalists are not going to put their money into these firms unless these European firms are more sympathetically inclined towards the Indian employees. Economically, if you can employ Indians you must do it.

16892. *Q.* The question is whether you have done it. But I will not pursue the point.

16893. *Mr. Rhodes.*—*Q.* I gather from your statement that you want more protection for paints than you have at present. Can you give me an idea as to how much there is at present, judging by your own business?

A. We have an 11 per cent. import duty *plus* freights.

16894. *Q.* You will have to pay 11 per cent. on a very small proportion of your raw materials?

A. You cannot look upon that as a proportion of our raw materials, because they are materials used for particular paints.

16895. *Q.* You really have an effective protection of 11 per cent. *plus* freights. Is that not enough?

A. It is not enough against a big organisation a small part of whose production only comes to India. They can afford to sell in India at a loss. After all they are not selling a large proportion of their production in India.

16896. *Q.* Do you think you would be able to make out a good case when one paint works gives evidence that it is going strong without any protection?

A. I think if one paint works flourished others should also flourish. I should think so myself. But that one paint works did not need protection because they have had the artificial assistance of the war period. That cannot apply to the others.

16897. *Q.* You think you can make out a good case in spite of that fact. Because one works can be successfully established you would not say that others also can be successfully established without protection.

A. If it can be successfully established under normal conditions, yes. But the conditions were very abnormal.

16898. *Q.* I think we had some paint works in Calcutta before the war.

A. When were they established?

16899. *Q.* I do not know exactly. But my figures go back to 1912.

A. Were they making profits in 1912?

16900. *Q.* They were making profits. They have not published their figures, and it has been very difficult to get figures.

A. They were making profits. It is certain. But the whole of their production was confined to the very cheap varieties for the railways, the whole of the raw materials for which are found in India.

16901. *Q.* They could compete in the richer varieties I think?

A. They must compete. You do not want India merely to turn out the low grades and the coarser stuff.

16902. *Q.* Looking to these figures I do not think the paint industry requires protection.

A. We do not ask for additional protection.

16903. *Q.* It is only on the high grade paints that you want protection?

A. It is on all paints. I do not think we are asking protection for the raw materials, on the contrary.

16904. *Q.* What proportion does the cost of the imported raw material bear to the value of the finished product?

A. 70 to 80 per cent. on the particular paints for which we import white zinc or lead.

16905. *Q.* Then you say you have to pay higher prices for tins, drums, etc. Is not that industry likely to be started in India?

A. Yes, if you have 20 or 30 paint manufacturers in India. You cannot manufacture tins and drums efficiently unless you have people to buy them.

16906. *Q.* To which would you give preference, paint or tins and drums.

A. Undoubtedly the paint. We can buy English tins and drums second hand if necessary.

16907. *Q.* Would not the drum maker tell us that he wants the drum protected first?

A. I don't think so.

16908. *Mr. Seshagiri Ayyar.*—*Q.* Which would you prefer, a higher duty upon imported paints or the lowering of the duty upon bye-products.

A. On general grounds?

16909. *Q.* Yes, on general grounds.

A. A higher duty on imported paints.

16910. *Q.* That would certainly add to the revenue of the country?

A. Yes, it keeps the money in the country and further it protects our paints all over.

16911. *Q.* You would not like to have the additional duty upon the imported paints as well as the lowering of duty upon bye-products.

A. Undoubtely. I would like it but one has to be reasonable and you don't wish to reach that point when you are asking for an industry to be nursed more than it is really worth. The imports of paint into Bombay are about £800,000 to £900,000 worth.

16912. *Q.* In answer to Mr. Jamnadas Dwarkadas you said that the present duty of 11% with 3½% excise duty was sufficient for the textile industry. Supposing the excise duty is removed, you would not consider the 11% duty too high?

A. Before the war the profits on piecegoods were very very small and to talk about 10 or 11% duty was something outrageous but now I don't think that it would kill the Lancashire trade.

16913. *Q.* In answer to Question No. 46 you say "The freight on oil seeds to Europe is very little, and, owing to there being a ready market for the oil cake there, very keen competition is felt from linseed oil expressed and boiled in Europe and shipped to India." Do you advocate an export duty upon raw materials?

A. No, generally speaking.

16914. *Q.* You are against it?

A. Yes.

16915. *Q.* In the paragraph to which I have referred, do you contemplate the imposition of an export duty upon these raw materials which are taken out of India?

A. No in this particular case I know the foreign countries do not depend upon Indian linseed. I think that it would merely stop your export. Argentine is the greatest linseed-producing country.

16916. *Mr. Narottan Morarjee*:—*Q.* How does your paint compare in price with the imported paint?

A. To meet the natural prejudice against the Indian product, we have to sell it cheaper?

16917. *Q.* But is it much cheaper?

A. We must sell it cheaper. I will take a case of the really well known white zinc paint. There is only one. We have given an analysis, we have given samples but we are expected to sell 10 or 15% cheaper.

16918. *Q.* Do you sell all your output?

A. We might sell more than our output but we have to sell at low prices. We are working at a loss.

16919. *Q.* And that is why you want protection.

A. We want it only for a limited period.

Witness No. 113.

D. L. SAHASRABUDDHE, Esq., M.Ag., M.Sc., as representative of the Bombay Agricultural Graduates' Association, Poona.

Written Statement.

16920. *Q.* 1. I generally favour a policy of protection under the present circumstances of India.

16921. *Q.* 2. Yes, I consider that a tariff provides a more suitable form of taxation for India than direct taxation and if fresh taxation is necessary I should prefer an increase in customs to an increase in direct taxation.

16922. *Q.* 3. I suggest that all raw materials, manures and dairy appliances should be admitted free; small agricultural implements and hand tools which are likely to be manufactured locally if some help or impetus is given, should be taxed to the extent of 10 per cent. while heavy machinery, railway plant and rolling stock, that is, articles which are essential for trade but cannot, at present, be produced in sufficient quantities be charged 2½ per cent. *ad valorem* as at present; motors, jewellery, toys and all articles of luxury and those which are likely to be bought only by the rich be taxed 20 per cent. *ad valorem*: sugar should not be charged or if it is charged at all the charge should not be more than 5 per cent., the percentage charged being on the quantity and not *ad valorem*. Explanation for the suggestion of removing tariff from sugar is given in the Appendix.

16923. *Q.* 6. Each case must be considered on its own merits: I should not impose an excise duty on any article manufactured in India as a cottage or hand industry but should have no objection in taxing a factory-industry if the taxation is not likely to give the industry such a set-back that it would not stand competition with foreign articles.

16924. *Q.* 7. I do not want to remove protection to the home manufacturer by imposing an excise duty but I would impose the duty if necessary only for revenue purposes if the duty is not likely to deter the manufacturer from continuing his business.

16925. *Q.* 8. I do not think that excise duties can be imposed in many cases without raising price to the consumer.

16926. *Q.* 9. Yes, I do consider that the tariff should be framed primarily with the object of fostering Indian industries.

India is rich in raw materials and yet at present imports large quantities of articles which could be manufactured from these raw materials. The consumer therefore has to pay the freight charges to and from the manufacturing country or something equivalent to it. If the articles are prepared here they will ultimately, though not necessarily to begin with, be cheaper. Secondly India will not have to depend on other countries for her wants and will not suffer as she did during the last war. Thirdly the present atmosphere of disappointment and discontent will, to a great extent, be improved and people both educated and uneducated will get means of livelihood on account of the opening of new avenues. Lastly the great flow of money going out of India will be checked.

16927. *Q.* 10. I have great hopes that with proper protection India will, before long, be independent of other countries in regard to most of her necessary requirements. Heavy machinery, iron and steel railway materials will be the articles for which, perhaps, India will have to depend on other countries much longer than for other articles.

16928. *Q.* 11. For developing Indian industries I favour the imposition of protective duties on all imported manufactures for which raw materials exist in India except where the raw material is already being used for manufacturing some article or another. For instance, I should tax soaps, candles, glycerine, &c., because raw materials for these exist and are not fully utilised, on the other hand I would not tax sugar because although there is the raw material for it in India it is all used for manufacturing *gur* and the area under sugar-cane is already so great that no more of the area under grain crop be allowed to go under sugar-cane. For full explanation please see the Appendix.

16929. *Q.* 13. I consider it desirable to establish new industries by protection. In selecting the industries for protection we should see that (1) the raw materials for the industry are available in sufficient quantities; (2) the articles produced are in great demand; (3) the articles which are ordinarily considered as necessaries are given preference over articles of luxury and (4) industries requiring smaller capital are preferred to industries requiring larger capital.

16930. *Q.* 14. I would not confine protection to industries which are likely after a period to be able to face foreign competition without such aid but would follow the principles given above (answer to question 13).

16931. *Q.* 15. I should not grant any special protection against any foreign goods simply because they are subsidised or are bounty-fed but I should give protection against any foreign manufactures which hinder India's progress in those manufactures and for which raw materials are available in India.

16932. *Q.* 16. I wish that hand industries should be maintained, encouraged and protected not only against the foreign manufactures but protected even against Indian manufactures of the big factory products. To discourage hand industries is to destroy the high human character of men and women. An individual with a hand industry is an independent being but a labourer is at best a machine if he is fortunate enough in avoiding all the vices and miseries of a factory life.

16933. *Q.* 17. I think it will take some time before the protected manufacturers combine to maintain a quasi-monopoly price. But we should be ready with the precautions. The best safeguards against such eventualities is always to give special protection, wherever possible, to hand industries against factory industries.

16934. *Q.* 18. It is not only likely but we might take it as certain that as soon as protective policy is adopted foreign industrial firms will endeavour to establish themselves in India to get the benefit. I think if full precautions are not taken against such firms India would be worse than without protection. The protection is wanted to give full scope for Indians to work their own industries. If foreign firms are established all the posts with high pays will go to outsiders, Indians will not be admitted into the internal working and all the profits will go out. Once these firms get a start they will soon form a net-work of foreign firms with Indians as only labourers. Any firm, therefore, with more than 10 per cent. foreign capital must be made to pay on its manufactures all the taxes the goods would have been charged had they been prepared in foreign countries and imported into India. If this is not possible I should better give up all idea of protection.

16935. *Q.* 19. I do not think that there would be any conflicts of interests between the producers of raw material and manufacturers who use raw materials, for many years to come, and hence this question need not be considered at present.

16936. *Q.* 20. I think ordinarily the whole of the import duty is passed on to the consumer in a rise of price.

16937. *Q.* 21. The rise in price on account of the protective duty will in many cases be temporary. As soon as the indigenous article begins to come in the market the price will slowly go down.

16938. *Q.* 22. Yes, I would willingly accept an increase in price to the Indian consumer for the sake of developing Indian industries.

16939. *Q.* 23. In considering the above question I would see that a necessary of life is not taxed without a definite ultimate gain whether directly or indirectly to the consumer. I should tax foreign cloth although cloth is a necessary of life because cotton (it may be inferior) is produced in India and protection against foreign cloth will give an avenue of earning livelihood to several consumers, cotton will begin to improve and India will ultimately develop an industry which will free her

from being a dependent on other countries. Kerosine has also become a necessary of life now-a-days and any import tax on this means a high price to the consumer without any gain (here I am keeping out the revenue point) because Kerosine is not a product likely to be available in India.

16940. *Q.* 24. An increase in the tariff rates would not increase the cost of living in India to such an extent as not to be covered with a slight rise of wages in the case of the industrial wage earners and the middle classes who use foreign goods, there will be very little effect produced on the agricultual wage earners as they seldom use foreign articles in their daily life.

16941. *Q.* 25. There will be a good deal of disturbance on the foreign trade of India but ultimately India's commercial position would be consolidated and India's commercial prospects much improved.

16942. *Q.* 26. There will be no advantage to India in using tariff for bargaining with other countries. Most of the countries would go in for bargaining with India not for mutual help but with a definite selfish aim which may not in the beginning be discovered. Indians are too good to deal in such matters and therefore bargaining should be taken as quite out of question.

16943. *Q.* 29. If a policy of protection is adopted I would recommend an organisation which may be permanent or changed from time to time, for investigating the claims of various industries to protection from time to time and for the periodical readjustment of tariff rates. For this purpose there should be a committee in which the Indians will be at least four-fifths in number, with an Indian president. All interests such as agriculture, labour, hand industries and factories should be represented in the committee.

16944. *Q.* 30. In my opinion the proper function of export duties is to prevent the outgoing of necessaries of life as also the raw materials which can yield useful manufactures or other articles and therefore the export duties can be imposed for purposes other than the mere raising of revenue.

16945. *Q.* 32. I would consider it advisable to impose export duties on raw materials to encourage their retention. I would recommend such action in the case, for instance, of oil-seeds, tannin materials, hides and skins and bones. Tannin materials, hides and skins and bones are not produced but are collected and for some time the collectors will get smaller price but the cheapness of these will encourage industries which would slowly raise the price of articles though not to the original level. But total ultimate effect will be cheap living which will more than compensate the loss in prices for the raw material.

In the case of oil-seeds very little effect will be felt by the producer as oil-seeds will always be in demand. Although the material will be cheaper there will be no loss to the producer as what he would lose in coin would be more than compensated in kind. He will have his oil industry and he will get oil-cake which will be a good food not only for himself and his cattle but also for his soil. The amount produced will not go down at all.

16946. *Q.* 33. I think it will be a boon to India if export duty is imposed on food stuffs with a view to controlling their export and thereby lowering Indian prices and the cost of living. At present there is a deficiency of food materials, as shown below.

(From an article by D. S. Dubey, M.A., in the Indian Jour. of Eco., Vol. III, Pt. I.)

In millons of tons.

1	2	3	4
Year.	Total requirements.	Total supply available for use.	Deficit.
1911—12	64·33	54·80	9·53
1912—13	63·60	52·95	10·65
1913—14	63·03	48·46	14·57
1914—15	65·16	54·04	11·12
1915—16	65·83	56·32	9·52
1916-17	66·19	57·90	8·29
1917—18	66·40	58·06	8·34

The figures in column 3 are given after adding net imports of grain from Indian States and deducting net exports to foreign countries. If we suppose that the well-to-do people and children get enough to eat, the deficit for the remaining is much greater than is shown in column 4. The deficit is mostly felt by the agriculturist. If the export of food-grains is stopped he will get more to eat and will surely turn out more work and improve his land. It is a well-known fact that the Indian agriculturists are by circumstances compelled to sell their out-turn soon after harvest and therefore sell it cheap and in many cases they buy their food-stuffs back from the merchant at a high price and therefore lowering of the price of food-grains will simply give less profits to exporting agents and other merchants but the cultivators will not suffer. As long as we do not give any special facilities for many crops like the sugar-cane the area under food-grains will not go down. We are in the habit of speaking of wealth in terms of coin although the real weath lies in having ample quantities of necessaries especially the food grains. If more grains are produced they will be cheap and the agriculturist with his granaries full will be much more satisfied than at present. The lowering of the prices of food-grain will soon lessen the prices of other necessaries and will help in passifying, to some extent, the present troubled atmosphere.

16947. *Q.* 34. Yes, I would impose an export duty on a raw material in retaliation for an import duty imposed by a foreign country on the manufactured article. Certain European countries have import duties on oil but no import duties on oil-seeds; I would in this case put such a heavy duty on the export of oil-seeds that most of the oil-seed export will be checked. It is a favourable sign that during the last ten years the exports of oil-seeds have gone down from 29 million cwt. to 16 million cwt. while the export of oil has increased from 4 million gallons to 7 million gallons.

16948. *Q.* 35. I am not in favour of any Imperial preference. As long as India is an exporter of raw materials and importer of manufactured articles this question need not be considered and all countries should be treated alike from the point of view of encouraging Indian manufactures.

APPENDIX.

16949. *Q. Protection and Sugar Industry in India.*

1. I have said in my answers to some questions that there should be no import duty on sugar and as this seems to be quite strange when I am advocating protection and when several people are keen on putting an import duty on sugar, I am offering a little detailed explanation in support of my views.

2. I am always in favour of hand or cottage industries and I would give them protection wherever possible. Preparation of *gur* from sugar-cane is a cottage industry, very suitable for cultivators and nothing should therefore be done to discourage this industry by the establishment of sugar factories with special facilities.

3. The object of putting import duties is to discourage import of those manufactures for which the raw material exists in the country and is either wasted or exported. But in the case under consideration although the raw material is produced in the country it is more than fully utilised. At present India produces about 2·5 million tons of *gur*. If this is turned into sugar it would be about 1·8 million tons by the methods followed in sugar factories in India and I do not expect much improvement in the methods in the near future. This means a net loss of 0·7 million ton of eatable sugar material. The *gur* is a perfectly healthy and good article for human consumption and there is no special advantage to the country in turning *gur* into sugar. The loss in the net quantity of eatable sugar material and the charges of manufacturing sugar would ultimately raise the price very much to the consumer without any chance of his getting direct or indirect benefit at any time.

4. Cheap sugars coming into India are produced under special facilities for the sugar manufacturers. Take for instance, Java where it is the capitalist manufacturer who is able to manage things to suit his purpose. He is able to sell sugar cheap because he has the labour under his control but this state of things cannot go on long and once the general public understand their interest they would see that their life is not meant for producing sugar. Now if any country is determined to specialise in sugar production at the cost of other things and give it cheap to India we need not be afraid of being

put into trouble at any time. The raw material for sugar is such that no country can take it away from us for being turned into sugar and we can produce this raw material whenever we want it and therefore we can never be made to feel our dependence on other countries except temporarily.

5. Let us now consider what effects would be produced on the sugar-industry in India when it is working under protection and without protection.

(*a*) If the protective duty is imposed on foreign sugar the first effect will be the rise in price of *gur* and the manufacturer who is asking for protection against foreign sugar will soon begin to ask for special facilities as acquisition of land or compulsion on the cane growers to sell the cane to the factories. Even with all these facilities I do not think the factories would improve. The Sugar Committee say "We fear that any increase in the duty might result in bolstering up an inefficient industry to the detriment of the consumer; and that secure behind a high protective wall factories in India might make no effort to reach the standard of those in other countries." What is true with high protective duty is also true with small.

If the factories do not get special facilities the sugar-cane growers will get larger profits on *gur* on account of the protection putting other crops at a disadvantage. The sugar-cane might encroach on the food-grain area and thus make the necessary grains less available. The sugar-cane area in India is half the sugar-cane area in the world and therefore we should see that the cane does not drive out grain from any more area.

(*b*) If on the other hand no protection is given *gur* which is a necessity will be cheap enough. The cultivator in competing with foreign sugar will go in for improved varieties and less costly cultivation. He will get enough profits but not more than what he deserves. When the capitalists do not get special facilities they will not try to ruin the cottage industry of *gur* making. Cane will be driven out from land which is unfit for cane and *grain crops* would increase proportionately. Even with all these sugar factories will be established on the right lines in proper places without any detriment to the consumer.

I do not see, therefore, any necessity of giving protection to sugar industry in India.

Oral Evidence, dated Bombay, the 20th February 1922.

16950. *President.*—*Q.* You represent the Bombay Agricultural Graduates' Association.

A. Yes.

16951. *Q.* You favour a policy of protection.

A. Yes.

16952. *Q.* Your suggestion is that all raw materials, manures and dairy appliances should be admitted free.

A. Yes.

16953. *Q.* And that agricultural implements and hand tools which are likely to be manufactured locally if some help or impetus is given, should be taxed to the extent of 10 per cent.

A. Yes.

16954. *Q.* In your answer to Question No. 6 you refer to the countervailing excise duty and say that you see no objection to taxing a factory industry.

A. No, I have said that I have no objection to taxing industries here for raising revenue, if the taxation is not likely to give the industries such a set-back that they would not stand competition with foreign articles.

16955. *Q.* That is to say you would not impose a countervailing excise duty. How could you have a countervailing excise duty when you favour a policy of protection?

A. I am in favour of protecting the industries but if they begin to get great profits and if they.....

16956. *Q.* You can tax them by income tax and super tax.

A. Yes, but there is another object also in taxing these industries and that is to protect the hand industries. Just as I want protection for the industries here in India against the industries outside, so also I wish to protect hand industries to a certain extent against manufacturing industries.

16957. *Q.* I see. Then you would advocate a countervailing excise duty in spite of the fact that you favour a policy of protection.

A. Yes.

16958. *Q.* In answer to Question No. 18, you say "I think if full precautions are not taken against such foreign firms India would be worse than without protection." Will you please explain what you mean?

A. I am proposing to have protection in order to encourage industries here in India and also to give openings for the various people. If we allow foreign capitalists to come in and establish factories here I do not think that we will be able to achieve the desired object.

16959. *Q.* You say that India under those conditions would be worse off than without protection. Will you please explain how you would justify that statement?

A. Because at present we at least know that manufactured things are coming from outside and that raw materials are going out. Once these new factories are established in India, people would say that you have got all the industries that you want in India and there will be no way out of the difficulty for having lines opened to Indians.

16960. *Q.* What lines do you mean?

A. Opening for work and employment.

16961. *Q.* Would not factories established in India employ Indian labour?

A. I am talking of people that want openings, I mean educated people.

16962. *Q.* You think that they will not get that under those conditions.

A. I think that it is but natural.

16963. *Q.* Then you go on to say "Any firm therefore with more than 10 per cent. foreign capital must be made to pay on its manufactures all the taxes the goods would have been charged had they been prepared in foreign countries and imported into India. If this is not possible, I should better give up all idea of protection." Do you mean to say that manufactured goods produced in India by foreign agencies should be subjected to the same amount of import duty as is levied upon foreign manufactures.

A. Yes.

16964. *Q.* Then that would really have the result of their not coming in at all.

A. Quite possibly.

16965. *Q.* You don't want them.

A. No.

16966. *Q.* That is you want to provide against their coming in.

A. Yes.

16967. *Q.* You advocate the imposition of an export duty to retain raw materials and food-grains in India.

A. Yes.

16968. *Q.* You say that the producers will not be affected because the cost of living will be lowered and they would be compensated in that way. Is that your position?

A. Yes.

16969. *Q.* You are representing the Agricultural Graduates' Association.

A. Yes.

16970. *Q.* And do you think that that view would be acceptable to the agriculturists in India?

A. I think that most of them who understand the situation will accept the position.

16971. *Q.* How many of them do you think understand the position?

A. At least those agriculturists who are educated think that by cheapening the raw materials they will not in any way be put to any great loss.

16972. *Q.* Would they continue to produce by agriculture all the raw materials even when they get very low prices in consequence of the export duty?

A. Yes, they will go on producing.

16973. *Q.* Your view is that when the export of food-grains is stopped, the ryot will get more to eat and will turn out more work and improve his land.

A. Yes.

16974. *Q.* You think that by export duties and retention of food-stuffs in India, the people will be better fed and will be so physically improved that they will give better results in labour.

A. Yes.

16975. *Q.* The people will be better off on the whole.

A. Yes.

16976. *Q.* It won't have any effect of reducing production.

A. No, not at all.

16977. *Q.* That is your opinion.

A. Yes.

16978. *Mr. Narottam Morarjee.*—*Q.* In answer to Question No. 17 you say that the best safeguards against such eventualities is always to give special protection, wherever possible, to hand industries against factory industries. How would you give that ?

A. By taxing the manufactures on a factory scale.

16979. *Q.* To what extent would you tax them ?

A. I think that will have to be judged according to the particular commodity. First of all the home manufacture is to be protected against foreign manufacture and if there are any hand industries likely to die, they should get protection by having a tax on that particular manufacture here. That will be less than the taxation on the foreign goods.

16980. *Q.* In reply to Question No. 23 you say that Kerosine is not a product likely to be available in India. Do you know that you can get Kerosine in Burma and in Rawalpindi ?

A. Yes. We are getting these things no doubt. I just wanted to put that as an instance to show that there are some of these materials which stand on a different footing from others. If you include Burma in India for all such purposes, then I think we have a raw meterial but yet we find that there is a great scope for raw material in this respect to come in.

16981. *Q.* Then as regards your reply to Question No. 62, do you mean to say that the Government have not taken any precautions to prevent our manures and bones from going out of India ?

A. No I don't say whether Government have taken precautions or not.

16982. *Q.* You think that it ought to be done.

A. Yes.

16983. *Q.* With regard to Mr. Dubey's figures have you verified these figures ?

A. Yes, I have. He has given a detailed account of the whole thing in the journal and I have just taken the last two figures.

16984. *Mr. Coyajee.*—*Q.* You are not generally in favour of protection for the sugar industry.

A. No, I am not.

16985. *Q.* We were told by an expert in the United Provinces that if a 33⅓ per cent. duty were put on foreign sugar, India would be able to compete with any foreign country. Do you think that this figure is adequate ? Is a duty of 33 per cent. adequate to counter-balance all the special advantages which countries like Java enjoy ?

A. I think that even 33 per cent. duty may not be able to give sufficient protection to the industry. It would require something more.

16986. *Q.* Because the difficulties are not only manufacturing difficulties, but agricultural difficulties, difficulties of land tenure and others.

A. Yes, and there is one more difficulty, that is, that the *gur* is in full demand. The whole amount of *gur* produced is wanted by the people and we will have to increase the land under sugarcane and we will nearly have to double it, if we want to get sufficient *gur* and then produce sugar. If you don't mind I might give you some figures to show that with the rise in price of sugar the price of *gur* always rises and in Bombay *gur* is dearer than sugar. The last figure for January is Rs. 17 a maund for *gur* and Rs. 14 a maund for sugar and if you go back even to pre-war times, you will find that the *gur* always gets the same price as sugar and as we go away from Bombay it is the freight of sugar that we have to pay. That is because *gur* is in great demand and if we try to put a protective duty on sugar, that means we simply raise the price of *gur* and the sugar manufacturer will be in the same difficulty as at present.

16987. *Q.* It has been stated before this commission that *gur* is eaten by the poor people and sugar by the rich people. If that is so, how can you explain the fact that the price of *gur* is equal to that of sugar ?

A. I don't think that that is right. *Gur* is eaten by the rich and poor alike. Only in the consumption of tea, rich people take sugar and also in the preparation of sweetmeats.

16988. *Q.* There is another thing which Mr. Shakespeare told us. He says that on account of our peculiarity of climate which makes the growing period of the sugar-cane very short we shall always have to protect the sugar industry if we once protect it.

A. I don't think that is correct.

16989. *Q.* He says that the growing period is very short, we have a dry cold winter, then a very hot spell, then very heavy rains and then cold again. The period taken by the sugar-cane producer is very small and we have to make the cane into sugar in a short time.

A. That is right with regard to Upper India but in Southern India we have a cane which takes 12 months.

16990. *Mr. Seshagiri Ayyar*—*Q.* You can say 9 months.

A. In the Deccan it is 12 months. I am talking of Poona centre. Ponda is considered to be a very good cane, giving an excellent outturn.

16991. *Mr. Coyajee*—*Q.* As regards sugar manufacture in Upper India, this is an additional difficulty.

A. Yes.

16992. *Q.* Now might I draw your attention to your answer to Question No. 33. At present there is deficiency of foodstuffs as shewn below. If there is a deficiency is the way to remedy that deficiency to lower the prices for the agriculturists ?

A. Yes, it is.

16993. *Q.* How, Sir ?

A. First of all, we will have a larger stock by preventing the food-grains from going out of the country and the cultivator who sells away all his grains soon after harvest will be able to buy these very grains back cheaper than at present. At present what happens is that he sells his grain cheap.....

16994. *Q.* The whole lot ?

A. Yes, almost the whole lot. I can say this especially with regard to the Deccan, where the cultivator sells away the whole of his output and later buys in his own requirements. That is very costly for him. Now if we have an export duty on the grain, we will see that the agent or sowcar who buys these things and sends them away, if he buys at all, will have to buy for storing from whom the ryot can get cheaper than at present. If the sowcar does not buy, these grains will always remain with the cultivator.

16995. *Q.* Then I put to you another view, which is this. What India requires is scientific agriculture.

A. Yes.

16996. *Q.* It means that the agriculturist should have more money in his hand, more capital in his hands.

A. Yes.

16997. *Q.* Whereas by putting on an export duty, you reduce the amount of money in his hands ?

A. Yes, whether he gets money or whether he gets something in kind it makes very little difference to him. If he has got enough food to eat, then I think that will compensate him more than what he could get in money. If he gets enough money he squanders it. If he has got the foodstuffs with him, he feeds himself and his family and keeps good cattle and gets good manure for his land and the land gives him a better return. On the other hand if he sells his crops, he keeps nothing and loses everything and the land in its turn loses its fertility.

16998. *Q.* Now might I put it to you this way ? For scientific agriculture, the agriculturist will have to get machinery and to pay wages to a lot of labourers. For all that he will require money and his money resource is reduced by export duties which cheapen the prices of his produce.

A. Yes, but by machinery we always understand something very grand and big. I am not for any such machinery at all. By machinery we mean machinery which will save labour but that does not mean he will be a big man commanding hundreds of labourers I would go in for such machinery that would be worked by one or two or by the co-operation of a few. That is the sort of machinery which we want for our agriculturists and not things like steam plough, or motor tractors which would require a big piece of land. I would certainly go in for smaller machinery which would be used by an individual or by the co-operation of a few.

16999. *Q.* Do you mean that the ideal for the Indian is not the large scale of farming but quite a moderate one ?

A. That is my view. I do not know whether all Indians have the same idea.

17000. *Q.* You are for a moderate farm.

A. I am for the small holding.

17001. *Mr. Seshagiri Ayyar.*—*Q.* I believe you are not a practical agriculturist. Have you any agricultural farms ?

A. No.

17002. *Q.* I am in a better position, and I want to ask you one or two questions. You advocate the imposition of export duties upon grain.

A. Yes.

17003. *Q.* The result will be that the agriculturist if he finds that he cannot sell his grain as dearly as he would like, will take to sowing some other crops.

A. What other crops? It would be either food-grains, oil-seeds, sugar-cane or cotton.

17004. *Q.* What we want is food-grains in this country. When the price of rice was not so heavy as it is to-day, I used to leave my lands for plantain growing and sugar-cane growing. The moment I found that the price of rice was a little high I gave up plantain growing and sugar-cane growing and put my land to cultivation of rice. The result of imposing export duties would be to cheapen rice, and if the price of rice goes down, I would go back to growing plantains and sugar-cane with the result that there will be a shortage of food-grains.

A. I am advocating export duty not only on rice, but on other things also.

17005. *Q.* I want you to consider whether the imposition of an export duty on food-grains would not be an inducement for the agriculturist to take to some other crops which will pay him better?

A. Certainly he should go in for that.

17006. *Q.* Then, there would be a shortage of food-grains in the country?

A. No. There is the counter-balancing proposal. I have said that I want sugar to come in free. Therefore there will be no encouragement to the cultivation of sugar-cane. Then, I have also said that I want export duties on oil-seeds and cotton. You must grow grains, and if that is not possible, you must grow cotton, sugar-cane or oil-seeds. There will be export duties on cotton and oil-seeds and the effect will be the same on all.

17007. *Q.* What the country wants is a certain quantity of food-grains. Would not the imposition of an export duty, which would tend to cheapen food-grains induce the grower of food-grains to give up the cultivation of food-grains and to go in for other crops? This must tend to reduce the quantity of food-grains available in the country, and this would be disastrous.

A. No. It would not happen. We are putting export duties on other crops also. If we put an export duty on food-grains only then he will naturally go in for other crops and give up food-grains.

17008. *Q.* Suppose you put a uniform rate of 10 per cent. upon rice, oil-seeds, sugar-cane, cotton, etc., have you calculated what would be the loss or gain to the agriculturist if he gives up rice and takes to other crops?

A. In growing rice, even at present he does not get the same profits as on other crops.

17009. *Q.* Quite so. If he can get more by growing cotton then he will grow more cotton, unless as you say there is a higher duty to curtail the profit he gets by growing cotton. Therefore, if necessary, you will put a higher duty, even as high as 75 per cent., on cotton so that he may not take to growing cotton.

A. I would leave him in the present position. I would so arrange the duties that the area under the several crops would remain the same.

17010. *Q.* That would be hardly practicable. However that is your idea?

A. Yes.

17011. *Q.* I was under the impression that we have more than enough rice to meet our needs and more than enough wheat for our requirements, in ordinary seasons. On the other hand your statement shows that there ought to be a deficit in all these years. Your idea is that the people are not eating enough and if they eat enough there will be a shortage. You do not say that there is an actual deficit: you only say that there ought to be. We have been exporting rice, and yet we have not found the rice-eaters complaining that they have not enough rice to buy. Take the case of wheat. In the Punjab, except during the last year when there was a shortage of wheat, it was considered that there was enough wheat for the people in the country and to export. What I understand you to say is that although a certain quantity is exported it by no means follows that the people here have enough to eat. If these people eat more as they ought to do then there will be a shortage of food?

A. Yes.

17012. *Q.* So, the figures you give are not about the actual deficit, but the deficit which you contemplate if the people eat enough.

A. You said that the people are not complaining of deficit. Well, the ordinary cultivators, if we go to them, tell us these things and some of them eat only once a day. Only their children they feed twice a day.

17013. *Q.* The reason is that they have not got the money.

A. In certain cases they have.

17014. *Q.* I do not think these people complain of want of material. If you go into the south it is not a question of want of foodstuffs to buy: it is a question of finding money to buy them.

A. It is said that the cultivators do no get money wages, but that they get their wages in kind.

17015. *Q.* Even in the south we give themt a certain rate in kind. They get their wages only for half the year, and what they get during half the year they have to reserve for the whole year. They reserve it not because there is scarcity of food-grains in the country, but because they have no money to buy the grain.

A. We won't hear their complaints unless we go to them.

17016. *Q.* Have you ever heard these labourers say that they had money with them and they went to the market but did not get food-grains?

A. (No answer.)

17017. *Q.* You say in answer to question No. 16 that you would like to protect the handloom industry. How would you do it?

A. By putting duties on factory products.

17018. *Q.* That is what they call excise duty?

A. Yes. I am in favour of excise duty.

17019. *Q.* At present higher counts of yarn are allowed to come in free, and thus the handloom weavers, who mostly use these higher count yarns, get their raw material free. If you impose a duty on higher counts of yarn that would have the effect of discouraging the handloom industry. Therefore, you would not be in favour of imposing an import duty on higher counts of yarn.

A. Do they all use the same yarn?

17020. *Q.* Not the same yarn. But they all use higher counts.

A. I would give them protection in the way you suggest also.

17021. *Mr. Rhodes.*—Mr. Sahashralbuddhe, I cannot quite make out in what capacity you are here. Are you a practical agriculturist?

A. I am not a practical agriculturist myself.

17022. *Q.* Have you made a special study of agriculture?

A. Yes.

17023. *Q.* In what form?

A. I have first of all gone through the best available agricultural course in India and I have actually stayed in the villages and studied the economic conditions of the cultivators.

17024. *Q.* That is the information I wanted. Perhaps you will be able to help me. If protection resulted in a large number of new industries springing up here and drew away some of the agricultural population, do you think that the balance that would be left would be sufficient to fully cultivate the ground?

A. At present we have 80 per cent. of our population as agriculturists and I do not think any other country has such a large percentage of agriculturists. What is happening in India is this: You cut off any industry and the labourers in that industry go back to agriculture. It is like a one-sided valve: they go to agriculture and they are not able to come out. In every census we find that the number of agriculturists have increased.

17025. *Q.* In your experience, if you have got 20 bighas of land how many labourers would you require?

A. It will depend on the sort of irrigation we have. If a man has a well for these 20 acres, he can very well maintain a family of five: himself, his wife, his mother and two children.

17026. *Q.* Are more people trying to live on the land than it can hold?

A. Yes.

17027. *Q.* That is owing to the low standard of living. Is it not?

A. That is the inborn wish of the Indians as a whole. They would always like to have a piece of land for themselves. I know of an instance in which land was mortgaged for Rs. 50, and in course of time the sowcar took away the land, and the owner paid Rs. 500 to take it back, although a piece of that size could be had from the surrounding lands for Rs. 200. They are so very fond of retaining their own land.

17028. *Q.* Do I understand that if a certain portion of the agricultural labourers are drawn to the towns for industrial work, owing to the innate character of the work the population of the agricultural districts would still go up to the utmost limit, at which people can live on one meal a day?

A. It would so happen that these people who come to factory centres would always go back to agriculture.

They would not permanently live in industrial centres. If they get any money at all they will buy lands and if they have sufficient lands they will not go to industrial centres.

17029. *Q.* Is it not a fact that an industrial population, going from father to son, has been built up in India now?

A. In a few places that is happening, but the general tendency of the people is to get land and to live in villages. That is their liking and it is very difficult to draw a man out of his land, because he likes to retain at least a small portion of land.

17030. *Q.* Even if he has not more than one meal a day, still he would like to remain on the land?

A. Yes.

17031. *Q.* What is the salvation of the agriculturist then?

A. The only salvation is: the industries must go to the cultivators and not cultivators to industries. The only salvation lies in cottage and hand industries and not in factory industries.

17032. *Q.* This state of things has also another effect. The agriculturist does not get any money for scientific agriculture. The manure goes out of the country because he has not the capital to buy it?

A. If his time is fully utilised he will have enough money to buy it. He works only half the year and he gets wages only for half the year.

17033. *Q.* You come back to my point. He has nothing to give up except his one meal a day, and if he gives that up he dies. I do not see how the Fiscal Commission are going to remedy that terrible state of things which seems to be due to the social customs of the people?

A. It is not the custom, but it is the inherent character. So, the only way for the Fiscal Commission is to see that the Indian industries are protected and then hand industries also get protection against the factory industries.

17034. *Q.* All through your paper you are very strongly in favour of protection. When dealing with sugar, however, you quote the remark made by the Sugar Committee, "and that secure behind a protective wall factories in India might make no effort to reach the standard of those in other countries." Why should you apply this to sugar only and not to other industries?

A. Because sugar-cane is a raw material which we do not export.

17035. *Q.* But does not that argument of inefficiency sheltering behind a tariff wall apply to other industries also?

A. There is this difference. In other cases we export the raw materials and do not make use of them, but in the case of sugar we do not export the raw material.

17036. *Q.* If you admit that a tariff wall protects inefficiency, does it apply only to sugar and nothing else? The cotton industry has had to fight its way.

A. I will allow this inefficiency in the beginning, if at the end we are going to gain something.

17037. *Q.* So you do not agree with the remark you have quoted?

A. With regard to sugar-cane I am of that opinion.

17038. *Mr. Birla.*—*Q.* I do not understand what your intention is in allowing free import of sugar. You say: "I am in favour of hand or cottage industries and I would give them protection wherever possible. Preparation of *gur* from sugar-cane is a cottage industry, very suitable for cultivators and nothing should therefore be done to discourage this industry by the establishment of sugar factories with special facilities." Do you think that by keeping a high import duty on sugar you are discouraging the hand industry of *gur*? Is that what you mean?

A. A small protective duty will not sufficiently protect the sugar factories. If they are satisfied with a small protection I do not mind much. That is why in the beginning I propose 5 per cent., and I would not mind even if it goes a little further. But the fact is you cannot start sugar factories unless you have a high tariff.

17039. *Q.* What do you mean by a high tariff wall?

A. A 40 per cent. duty.

17040. *Q.* Let us suppose that a 40 per cent. protective duty is imposed. What will be its effect on the price of *gur* and sugar?

A. For a long time the two will try to keep together.

17041. *Q.* The price of *gur* and sugar will rise?

A. Yes.

17042. *Q.* So far, therefore, a margin of profit is secured to the sugar and the *gur* industry. So the margin of profit for the *gur* industry would not be affected?

A. It won't be affected to a certain extent, say up to 20 per cent. If we go up to 40 per cent. then there will be a rush for sugarcane growing, and then it would so happen that sugar-cane growers will get profits and sugar industry will start. If sugar industry starts then the price of *gur* would go up.

17043. *Q.* Why? If there is a rush for sugar-cane growing, naturally the prices must come down.

A. Ultimately it would. The quantity of sugar-cane we produce at present might get exhausted, and we might require some more.

17044. *Q.* Why? They all will rush to grow sugar-cane as you say?

A. Yes, if there is a 40 per cent. duty.

17045. *Q.* Assuming that a 40 per cent. duty is imposed on sugar, what will be the result? The result on your own admission is that they will all rush to grow sugar-cane. Then as a result the price of *gur* must come down?

A. But as soon as it comes down they will give up growing sugar-cane.

17046. *Q.* Then, what will be the bad effect?

A. The consumers will pay more.

17047. *Q.* That they have to pay for a time under protection. Even under protection for cotton goods, they must pay more.

A. But in the latter case he will get something in return in the future.

17048. *Q.* Will there not be that gain in sugar?

A. Here the consumer will not only lose in the way of high prices, but he will also lose a hand industry in *gur* which he has at present.

17049. *Q.* How?

A. Let us divide the subject into two sections. We might take this case: suppose we have no sugar industry, and all the sugar-cane is being converted into *gur*. As soon as we put a protective duty the price of *gur* will rise, and then it will become steady at some point. It will rise in the beginning and when the area under sugar-cane becomes larger it will come down slowly and the area and price will balance each other.

17050. *Q.* What will be the net result?

A. There will be more growth of sugar-cane.

17051. *Q.* Then, to that extent they won't have to depend on foreign countries for their sugar?

A. Yes. But in this case we will put more money into the pockets of the sugar-cane growers in preference to the other cultivators.

17052. *Q.* What do you mean by "in preference to other cultivators?"

A. There are other cultivators, growers of oil seeds and cotton.

17053. *Q.* Who prevents them from growing sugar-cane?

A. You cannot grow sugar in every place. There must be irrigation. If we take the case of the Deccan we cannot grow sugar-cane in more than 15 per cent. of the land. Why should you give more advantage to the cultivation of sugar-cane than to the cultivation of other crops?

17054. *Q.* Do you mean to draw a line between cultivators of different crops?

A. Yes.

17055. *Q.* I am sorry I cannot quite understand you.

17056. *Mr. Mant.*—*Q.* Can you tell me what the objects of your Association are?

A. Our Association is a brotherhood of the agricultural graduates of the Bombay University.

17057. *Q.* What do you mean by agricultural graduates? You mean graduates who have taken degrees in agriculture, but who have nothing to do with practical agriculture? These are students of the University?

A. These are students of the University, but some of them are practical agriculturists also.

17058. *Q.* You do not represent the agriculturists' voice?

A. I represent the voice of many of the members of our Association.

17059. *Q.* That is why I wanted to know what the object of your Association is?

A. It is generally to further the good of the agriculturist.

17060. *Q.* Well, can you explain to me how these proposals of yours will help the agriculturist in any way? You recommend an export duty on food grains. I understood you to say in answer to Mr. Seshagiri Ayyar's question that this would not reduce the production of food grains because you would levy an export duty on every other agricultural product. Is that not your position?

A. Export duty on all raw materials.

17061. *Q.* Will you tell me how that would be to the advantage of the agriculturists?

A. Yes. Take any of these grains. Take for instance oilseeds. If the oilseeds become cheap the effect will be that the agriculturist will be able to get them in sufficient quantities.

17062. *Q.* He grows oilseeds himself. He does not require to buy them.

A. He has to buy them. That is the most wonderful thing here in India. He sells the articles as soon as he harvests them and he buys them again later on. If these things are exported, he has to pay very high prices when buying them. If these things are not exported they would not be so costly as they are at present.

17063. *Q.* Is that all the benefit for the agriculturist?

A. That is one. The other thing is that by this duty, oilcakes will be retained in the country as residue.

17064. *Q.* I don't want to take the instance of oilseeds only. I am talking of food grains generally?

A. Food grains as I have shown, we have not got enough for the whole population. If the people get all that they ought to, there will be a net deficit of 8 million tons. If the grain is not allowed to go out then it will be available here in the country for the people.

17065. *Q.* You think that by reducing the price of grain you will encourage the production of grain. Is that your point?

A. Not the production but the retention of grain in the country.

17066. *Q.* You say the production of grain will not be reduced.

A. I do not think it will be reduced.

17067. *Q.* Because you will tax every other agricultural product?

A. Yes.

17068. *Q.* Is your association composed of men who own lands?

A. Yes.

17069. *Q.* Have any of them helped you to formulate these views?

A. No. I put these views before them.

17070. *Q.* Before those people who actually work on the land?

A. I think at least three people with whom I had a talk.

17071. *Q.* You referred just now to the statement that there is a great deficit in the supply of grains available for consumption in this country. You quote the figures of a writer in the Indian Journal of Economics.

A. Mr. Dubey.

17072. *Q.* Have you studied the details of his calculation?

A. Yes.

17073. *Q.* Can you explain it?

A. I don't know whether I will be able to give all the figures. He worked those figures on the quantities necessary for an average man and then the quantity for a child and he added them.

17074. *Q.* As far as I can make out, he takes certain number of ounces as required for an adult, say 28 ounces a day, and so much less for a child. You have got to multiply this figure by 365 and then you have got to multiply the product by the population of British India, something under 250 millions. It is obvious that a slight difference in the daily quantity required per head would make a tremendous difference in the total quantity required annually.

A. No doubt some of these figures are taken for granted.

17075. *Q.* I think it is most important to look at the basis of these figures. If there is a slight difference in your daily estimate, even if it be only a fraction of an ounce, your total figure will be naturally wrong. Then again I find that he takes into account the requirements of cattle. He assumes that every cow and every bullock requires so much and thus 40 million tons of food grains are required for cattle. Have you considered the effect of that on the total figures?

A. I won't be able to give any further details because I have not got the calculations with me.

17076. *Q.* I had only time to glance through it. It seems to me that there are so many uncertain data that you cannot put any reliance on the conclusion. I thought that your Association had studied these matters and might be able to help us.

A. (No answer.)

17077. *Q.* I gather that you cannot.

A. I am sorry I won't be able to give any further assistance in that way.

17078. *Mr. Jamnadas Dwarkadas.*—*Q.* I understand that you favour heavy export duties on all articles produced in India?

A. Yes, as well as on food grains.

17079. *Q.* The object of your Association is to further the interests of the agriculturists.

A. Yes.

17080. *Q.* There are raw materials which can be used for manufacture in India, raw materials of which India has a monopoly, and raw materials which have to be exported because there is no facility for manufacturing articles. Would you have export duties on all without discrimination?

A. I have said those raw materials, the manufactures from which are imported into India.

17081. *Q.* I don't follow that.

A. There are certain raw materials which go out of India and we get manufactured articles from them in return. It is such raw materials that should be taxed when going out of the country.

17082. *Q.* You mean those articles which can be used here for manufacturing purposes?

A. Yes.

17083. *Q.* The others you would leave out?

A. Yes.

17084. *Q.* You advocate protective import duties on all industries.

A. Of course, those which can be manufactured in India.

17085. *Q.* You also advocate export duties.

A. Yes.

17086. *Q.* So the consumer as well as the cultivator is bound to suffer.

A. Yes, in the beginning they will.

17087. *Q.* If you have both export and import duties, I think the extent to which they would suffer would be very much.

A. The question is that we always speak in money. But if there is sufficient food which is the greatest necessity then the suffering would not be great.

17088. *Q.* We are talking of raw materials.

A. Leaving out food?

17089. *Q.* Yes. What would be the result so far as the prices are concerned?

A. At once we will have Indian industries started. At least there will be a beginning made.

17090. *Q.* If there is a chance of an industry being started in this country then so far as these articles are concerned you would have a protective import duty?

A. I would take them first. I have given a gradation as to which should be taken up first and which should be given preference in the tariff duties.

17091. *Q.* Under any circumstances you would have both export and import duties?

A. Yes.

17092. *Q.* As regards food grains would you have a duty irrespective of whether it is a period of famine or scarcity? Would you always have an export duty on food grains?

A. Yes, that is what I have said.

17093. *Q.* Don't you think that it will discourage the production of food grains? Don't you think that the agriculturists will not produce food grains?

A. What then will they do?

17094. *Q.* They will turn to commercial crops.

A. If we have got more than enough of food grains, why should we not have commercial crops?

17095. *Q.* Your point is that we need not cultivate food grains and therefore we should have export duty?

A. No, in order to retain the food stuffs.

17096. *Q.* My contention is that the result of an export duty would be to reduce production still further.

A. That won't be the case if also we have export duties on other things that are grown on the land.

17097. *Q.* Then you come to this that you would have export duties on every product.

A. Yes, in order to keep the present position.

17098. *Q.* How would the cultivator gain thereby?

A. Now if we have a protective duty all these materials would be in the same proportion. That I should take for granted in the beginning, because we are not going to have export duties only on grains but on other things which are produced on the land. Therefore I say that as far as possible the proportion would be the same. The only thing is that he will have enough of food grains, enough of oilseeds, enough of cotton, enough of sugarcane and so on.

17099. *Q.* I am afraid I cannot understand. However, I will not pursue the matter further.

17100. *Q.* Then coming to your answer to question No. 18, do you think that the danger of foreign firms being established is so great that you would rather not have any protection at all?

A. Yes.

17101. *Q.* Do you think that the establishment of foreign firms in India is really so great a danger ?

A. Suppose you have a policy of protection and the result of that is that some foreign firms establish themselves to start industries here.

17102. *Q.* Is it any loss to India ?

A. I think it is a loss.

17103. *Q.* Will you explain how ?

A. Our subject is to open up lines for our own people, the Indians. If we have foreign capital it is quite natural that the whole management will be with the people that subscribe the capital.

17104. *Q.* What about labour ? Do you think that these firms could always afford to have skilled labour from England ? Will they not provide facilities for training our people here for good posts ? Will that not be the natural consequence of the establishment of foreign firms ?

A. If at all, it will be exceedingly slow.

17105. *Q.* Supposing that an industry does not exist now and supposing also by the policy of protection an industry is established by foreign firms, will it not be an incentive to Indian firms to establish the same industry ?

A. It will be.

17106. *Q.* So that the danger which you speak of will not be after all so great.

A. We will have to check it at some point. It is quite likely that there might be a certain incentive for the Indian to start industries when the foreign firms establish themselves here as a result of the protective policy. But there is also the likelihood of the foreign factories rising up quickly and thus getting a sort of monopoly.

17107. *Q.* How will they have a monopoly ?

A. The Indian capitalists will be faced with the same competition which they have at present from outside.

17108. *Q.* That will be only when foreign firms are given any special advantage over Indian firms that are established for the purpose. But if there is no special advantage given to foreign firms, if both are treated on equal terms where is the disadvantage to the Indian firm ?

A. What is the disadvantage to Indian firms at present in competing with foreign manufacturers ?

17109. *Q.* There is no protection of any kind at present.

A. Similarly as soon as the foreign manufacturers come and work here there is no protection for the Indian manufacturer.

17110. *Q.* The Indian manufacturer can have the same protection if he likes provided he starts industries in the country.

A. Now there is open competition going on. As soon as we impose a tariff, the outside factory comes into India and therefore the competition remains the same. Is not that so ?

17111. *Q.* I can't quite follow the point. You admit that the foreign firm will have to depend upon Indian labour. You also admit that from a business point of view, it will not be an easy proposition to get skilled labour always from England and that they will have to train men up here. Would not that be so ?

A. It will be.

17112. *Q.* You also admit that it will be an incentive to Indian firms to establish industries ?

A. Yes, in some cases.

17113. *Q.* If you admit all these conditions, do you still maintain that you would rather not have protection and allow manufactured articles to come from outside this country than allow the industries to be established here the start for which would be made by foreign firms ?

A. Yes, I do maintain that.

17114. *Sir Maneckjee Dadhabhoy.*—*Q.* Your opinion coming from an educated body of agriculturists is of considerable value to us. Therefore I should like to exactly understand your situation. Will you please tell me what is the strength of your Association ?

A. It would be about 150.

17115. *Q.* They are mostly graduates in science ?

A. Yes.

17116. *Q.* Are they agriculturists ?

A. Yes.

17117. *Q.* There are also sons of agriculturists ?

A. Yes, in many cases.

17118. *Q.* Do many of them follow the pursuit of agriculture ?

A. Yes, in many cases in a way.

17119. *Q.* Is the opinion you give your individual one or the considered view of your Association ?

A. We have not taken votes on the matter. They all know my views and after writing this statement I showed it to them.

17120. *Q.* You have shown to your committee and they have approved of your views ?

A. Yes.

17121. *Q.* The primary object of your Association is to protect the agricultural interests ?

A. Yes.

17122. *Q.* In answer to Mr. Rhodes you stated that the number of agriculturists had increased. Now will you please tell me whether it is due to increased population or want of other avenues of life ?

A. It is due to both. I should say to a certain extent it is due to increase of population. But it is also, we find, due to the absence of some of the industries which they were carrying on formerly.

17123. *Q.* For want of further avenues ?

A. Yes.

17124. *Q.* Do you think that the agriculturist as a body welcome their energies to be diverted to industries to a certain extent ?

A. Yes, they would.

17125. *Q.* In answer to question No. 24 you say that "an increase in the tariff rates would not increase the cost of living in India to such an extent as not to be covered with a slight rise of wages in the case of the industrial wage earners and the middle classes who use foreign goods; there will be very little effect produced on the agricultural wage earners, as they seldom use foreign articles in their daily life." But a large body of agriculturists in the Punjab were of opinion diametrically opposed to this. We were told that if you divert men from agriculture to industries you will not be able to raise normal crops, you will accelerate famine, you will cause privations in the houses of the agriculturists and so on. What is your opinion in connection with that ?

A. Yes, if they are taken away from the soil.

17126. *Q.* Would it appreciably affect them ?

A. There are two points. First of all, we have got 80 per cent. of our people living on agriculture, and the land available cannot maintain the 80 per cent.

17127. *Q.* Do you mean to say that the pressure on land at present is greater than the land can support ?

A. Yes, the economic pressure is great.

17128. *Q.* And you can to a certain extent reduce that pressure by diverting these people to industries ?

A. Yes.

17129. *Q.* Is there no fear of agriculture suffering by such diversion ?

A. Agriculture will not suffer.

17130. *Q.* Then I cannot understand one other remark you made in the course of the examination. You said that industries must go to the cultivators and not cultivators to industries. I should like you to explain that. If that be your view it entirely annihilates the argument you build up ?

A. This is what their inherent nature is. People who are thrown on land do not like to leave it even though it does not pay.

17131. *Q.* You mean that the attachment for the land is so great that they are reluctant to abdicate their land. Is that your view ?

A. Yes, even if it does not pay them.

17132. *Q.* Therefore you think that industries must go to them, that is, I understand, you must have more of rural industries.

A. Yes.

17133. *Q.* You mean that industries should be established in rural areas. Can you enumerate a few of these rural industries ?

A. Take, for instance (of course these industries will differ in different parts), lac. They have only to put a particular insect on a particular tree. They may start lacquer work. They may prepare tins for keeping various stuffs. They may have coir-making. In certain parts they may have cattle-breeding. These are connected with agriculture.

17134. *Q.* Do you mean that the rural industries must be mainly subsidiary to agriculture ?

A. Yes. In some cases there might be industries not connected with agriculture. It is quite possible to have such industries, because I know of one place at least where the people are getting more money by taking to hand industries and are free from debt. In their spare time they simply prepare ornaments of gold, and because they are regular, people in the surrounding area send their gold to these goldsmiths and get their things done by them.

17135. *Q.* I suppose you speak from your knowledge of the Bombay Presidency.

A. Yes. I may restrict it to, say, Deccan.

17136. *Q.* How is the charka succeeding there?

A. Very few people have taken to charka in the villages, I should say.

17137. *Q.* If, with all these encouragements very few people have taken to it, how will the cultivators take to industries as you say?

A. I think if the preaching goes on for a long time, they will take to it. It is a matter of time.

17138. *Q.* What is your opinion about export duties on manures? Would you support export duties on manurial materials?

A. Yes, such as, for instance, oil cakes, bones.

17139. *Q.* Do you think that the Hindu agriculturists will use bone as manure, if it is not allowed to be exported and if it is retained in the country?

A. They will.

17140. *Q.* You don't think they will have religious susceptibilities?

A. I think these things are dying out. They use even crude sewage. Formerly they would not have used it at all.

17141. *Q.* So, on bones you would have an export duty?

A. Yes.

17142. *Q.* In answer to Mr. Seshagiri Ayyar, you said that by putting a duty on factory products you will be able to protect the handloom industry. What do you mean by that? Do you mean excise duty?

A. Yes.

17143. *Q.* You know that an excise duty exists at present. Has it had the effect of protecting the handloom industry?

A. I do not exactly know what impetus it has given. In such cases it so happens that if any industry is dying it may not die if the excise duty comes in. That will be the effect.

17144. *Q.* Do you seriously think that handloom at all comes into conflict with the power loom?

A. At present it does not.

17145. *Q.* Have you any other method besides the imposition of excise duty?

A. No.

17146. *Q.* You know as a matter of fact that the handloom weavers only weave finer counts. And so far as the Indian power loom industry is concerned, it does not come into conflict with the handloom industry?

A. That is true to a certain extent.

17147. *Q.* Why do you want protection then?

A. That is true to a certain extent. I want hand spinning also to be encouraged, not only weaving.

17148. *Q.* But hand spinning it is understood is done in many villages even now.

A. But of the finer type.

17149. *Q.* As an agriculturist, you know that the agriculturist is employed at least six months every year in the pursuit of his own line. It is only after the crops are harvested that he has any leisure. During that leisure time he wants to weave for the maintenance of his family. He wants it as a side industry. It is only during that interval that he goes in for weaving. The finer counts are spun which require manual skill and labour, and there is generally no conflict between the power looms and the handlooms in the rural areas.

A. At present there is no conflict.

17150. *Q.* So if there is no conflict, why do you want to protect the handloom? The mill industry was started in 1876 and from that period it has got on up to now. There are three hundred mills all over India, and they turn out not one-third of the actual requirements of the people as a whole. There is ample room for the handloom industry simultaneously to exist side by side with the power mill industry. Why does it need protection?

A. I should only say "if it is necessary."

17151. *Q.* Then you will qualify your statement?

A. If it comes to a stage when there are people to compete, then I will give protection.

17152. *Q.* If you want to give protection may I suggest some other remedy? Put an import duty on yarn. What is your view about that? The finer yarn is imported. Would your object not be gained by putting an import duty on yarn, say from Japan and other places?

A. This is a difficult question. I won't be able to say anything definitely. The yarn which comes in is wanted by the hand weaver, and if you put a protective duty on that, he will suffer no doubt, but there will be encouragement for hand spinning but I think that as long as hand spinning is not improved we should not have any import duty on the particular yarn which is used by the ordinary weaver. But a time will come when we shall have an improvement in the hand spinning, and then it will be time to put an import duty on that particular yarn.

17153. *Q.* Then I take it that the result of your examination is that the handloom industry is not in any imminent danger?

A. No.

17154. *Q.* You raise a very nice point about foreign capital being invested in this country. The principle you recommend is putting a corresponding duty. I would like to illustrate by an example how it will work in practice. You know that a 11 per cent. duty is put on foreign cloth. If these foreigners put up new mills in Bombay do you recommend a 11 per cent. excise duty on the cloth which is manufactured in the country by the foreign manufacturers? Is that your idea?

A. Yes, when there is more than 10 per cent of foreign capital.

17155. *Q.* You mean when there is more than 10 per cent. of foreign capital, a corresponding excise duty should be put?

A. Yes.

17156. *Q.* Then I take it that firms started with Indian capital should only pay 3½ per cent. and others should pay a higher duty?

A. Yes.

17157. *Q.* Will it work smoothly in practice?

A. Difficulties may arise, but I do not quite see what particular difficulties can come in.

17158. *Q.* In your answer to question No. 33 you have made a very strong point about an export duty on foodstuffs and have quoted Mr. Dubey's figures. Can you give me the percentage of foreign exports to the total production?

A. The percentage is very small. I should say that about 4 to 5 million tons are at present exported, out of roughly 50 to 55 million tons of crop.

17159. *Q.* You are only talking of normal years?

A. I have taken the figures from 1911 to 1918. I think we have got there a sufficiently large number of years. Of course the amount will vary no doubt.

17160. *Q.* You say that the figures in column 3 include exports of grain from Indian States, but you have not stated whether column 2 includes the requirements of Indian States or not?

A. Column 2 gives the total requirements of British India.

17161. *Q.* What will you do when there is a surplus of food grains to export?

A. I do not know when that time will come exactly.

17162. *Q.* I can give you several years when we had large surpluses. We have had a lot of surplus at times.

A. What will happen in that case is that you might get a surplus in one year if it is quite a favourable year.

17163. *Q.* That will be required for the recuperation of the following lean year. Is that your idea?

A. To a certain extent, yes. If we get more and more grains from year to year, then, naturally, the area under food grains will go down, and other crops will get in.

17164. *Q.* If the food crops go down and money crops are raised, will it not be disastrous to the interests of India?

A. How?

17165. *Q.* Where will you get your food supplies from? If you put on heavy export duties one effect of these would be the reduction in the value of the grains. When that is depreciated the agriculturist will not like to continue it. He might tolerate it for one or two years, but in the third year he will get disgusted with Government. If his neighbour is cultivating jute or something else and is making money, why should he stick to food grains and lose money? If this tendency comes in will it not be disastrous to India?

A. There is a limit for other crops coming in. There are certain crops which can be grown only under particular climatic conditions and under irrigation only.

17166. *Q.* We need not take them into account. After all they are an infinitesimally small proportion. There are certain lands which will only produce particular crops, but let us take the majority of the crops. Won't they take the place of food grains?

A. I am not able to understand it really. There are certain areas which won't be able to take to other crops.

17167. *Q.* I understand that you only recommend high export duties when you have got a surplus to export, not otherwise?

A. We want export duties when we want to retain a thing in India. At present food grains are such.

17168. *Q.* But the remedy which you are suggesting instead of keeping the food grains, will make the country

absolutely without food grains. You want to retain food grains but your remedy is such that it will reduce the crop altogether.

A. Other crops will come in in certain areas, not all over the country. There are large areas which are fit only for cultivating food grains.

17169. *Mr. Rhodes.*—*Q.* I think you told Sir Maneckjee Dadabhoy that very few of your graduates were occupied in putting their scientific knowledge to practical use. Could you explain why it is and why all this education is not utilised to the benefit of India?

A. I know that the agricultural graduates that have been turned out have not gone back to the land.

17170. *Q.* I understood from you that they are not putting their knowledge to practical use, that their knowledge is of no benefit to the country.

A. Those people that had land before they joined this course have gone back to their land.

17171. *Q.* What about the others?

A. Many people take up courses in India because they find them to be paying. Most of the people that have studied history and logic enter Government service. They do not necessarily go to institutions where they can develop logic or write books.

17172. *President.*—Mr. Rhodes wants to know why when an agricultural graduate has adopted a professional career he does not apply himself to that profession?

A. That is true. But people join different lines because they think that in the new lines there will be better prospects for them. Not necessarily all want to go back to their land.

17173. *Q.* Can you give us some statistics showing the total number of graduates turned out by the Agricultural College and the proportion of those that are engaged in agriculture and those that have taken up other professions?

A. It will be difficult for me to give exact figures. But I can give you some idea. Those people that have some land and where they have enough capital to go back to the land for cultivation.

17174. *Q.* Can you give me an idea of the proportion?

A. I think it would be about 10 per cent. who go back to the land.

17175. *Q.* What about the 90 per cent. that remain?

A. About 5 per cent. do other things.

17176. *Q.* Then there is a balance of 85 per cent.

A. Out of this 85 per cent. you will find nearly half or three-fourths go in for Government service, not necessarily the Department of Agriculture, but other departments.

17177. *Mr. Rhodes.*—*Q.* That is very unfortunate.

17178. *Exports of the United Kingdom.*

	1905.	1906.	1907.	1908.	1909.	1910.	1911.	1912.	1913.	1914.	Percentage. 1913 on 1905.	Percentage. 1912 on 1905.
India	42·9	45·2	52·	49·4	43·6	46·	52·2	57·6	70·2	62·9	164	134
Germany	29·7	33·5	41·3	33·4	32·2	37·	39·2	40·3	40·6	23· War	137	136
France	16·	20·3	23·3	22·1	21·4	22·4	24·3	25·6	28·9	25·8	181	160
Australia	16·9	20·2	24·	22·9	24·	27·6	30·8	34·8	34·4	33·6	204	206
China	13·1	12·1	12·	9·2	8·4	9·1	12·1	10·7	14·8	13·	113	82
Canada	11·9	13·7	17·1	12·2	15·7	19·6	19·7	23·5	23·8	17·3	200	198
United States ...	23·9	27·7	30·9	21·3	29·7	31·4	27·5	30·	29·2	34·	122	126
Union of South Africa ...	16·8	15·6	14·2	12·4	14·5	19·4	20·1	21·4	22·1	18·8	131	128
Argentine	12·9	19·4	17·8	16·4	18·6	19·1	18·6	20·5	22·6	14·5	175	160
Holland	9·6	11·6	13·9	11·4	11·7	12·7	13·1	14·2	15·4	13·3	160	148
Russia	8·1	8·8	11·1	12·6	10·9	12·2	13·5	13·7	18·1	14·4	223	170
Japan	9·6	12·9	12·	9·9	8·3	10·1	11·8	12·2	14·5	8·3	150	127
Italy	8·9	11·1	14·1	15·	12·1	12·5	13·2	14·	14·6	12·8	164	157
Belgium	8·6	10·	10·4	9·5	10·6	10·8	11·3	12·1	13·2	8·2	154	141
TOTAL ...	228·9	262·1	294·1	257·7	261·7	289·9	307·4	330·6	362·8	299·9	...	...
TOTAL EXPORTS ...	329·8	375·5	426·	277·1	378·2	430·4	454·1	487·2	525·2	430·7	...	...

Witness No. 114.

The principal users and suppliers of electrical apparatus in Bombay.

Written statement, dated the 26th January 1922.

TO THE MEMBERS, THE FISCAL COMMISSION.

17179. DEAR SIRS,—We, the undersigned, embracing practically all the largest users and suppliers of electrical apparatus in the Bombay Presidency, respectfully beg to lay before you some of the disadvantages under which the electrical industry is suffering owing to certain anomalies of the present customs tariff. We wish, however, to place on record the relief granted to the industry under Government Notification No. 6362 of 5th November 1921 published under Customs Duties, Department of Commerce (Government of India).

It is assumed that, in arranging the import tariff, Government have in view not only the production of revenue, but also the development of industries in India. The first essential to the promotion of industries lies in the provision of an ample and cheap supply of power. Electricity is essentially only a form of energy. Government appear to have already recognised the advisability of the provision of cheap power, and have encouraged cheap generation by assessing the duty at 2½ per cent. on prime-movers, shafting, belting and other materials used in the transmission of mechanical power. The arguments upon which this policy is based appear equally applicable to electrical materials serving the same function.

17180. *Parties affected.*—Apart from the dealers and manufacturers who are affected only in an indirect way, the users of electrical apparatus may be divided into three broad classes—*first*, power companies generating or distributing electrical energy; *second*, manufacturers and factory owners using the modern system of electrical drive or special electrical processes; and *third*, the general public using fans, lights and other minor appliances.

17181. We base our claim for redress on the broad and undisputed fact that the use of electricity in every form tends to the saving of labour, a cleaner atmosphere and more intensive production, all of which are essential to the industrial development of the country. We further respectfully beg to point out that the first class of users referred to above, namely, power supply companies, work only under license; their rates are fixed by Government who are generally averse to the increasing of rates. Power supply companies are essentially public utility companies, often with a clause for Government or Municipal acquisition at the expiry of a certain period. It is equitable therefore that the privileges accorded to the railways should be extended to them. On the other hand, the capital cost of electrical apparatus is generally greater than that of similar equipment driven by a different motive power. The increased rates of customs duty are an additional handicap to the manufacturer wishing to install modern power plant. Lastly, the use of electricity by the general public under present conditions can hardly be considered a luxury. This can be readily proved by detailed investigation into the relative percentage of expensive fittings as compared with the standard line of fittings imported.

17182. *Assessing of component parts.*—Before referring to the anomalies attaching to the duty levied on certain types of apparatus, we respectfully beg to refer to the practice of assessing component parts of equipment at different rates. Thus, while Diesel engines are treated as prime-movers, certain essential parts like oil and exhaust piping, spanners, guard rails, oiling platforms and ladders leading up to these platforms (which are essential to the successful operation of the plant) are treated as accessories and charged at 11 per cent. Similarly, in the case of oil-cooled transformers imported with the oil which is essential to their operation, the transformer, oil and even the oil drums are assessed differently. We beg to point out that, in almost every such case, it is practically impossible correctly to state the invoice values of the various parts as the orders are placed for the equipment as a whole. This policy, from every point of view, appears unfortunate and it is very doubtful if the extra revenue derived from the higher tariff on the accessories even meets the cost of the appraiser's time in making the assessment. The loss, delay and inconvenience which the importer suffers owing to the differentiating tariff could, however, only be justified by a substantial return in revenue to the State.

17183. *Switchgear.*—Turning to special hardships and anomalies, we would refer to the case of switchgear. Up till the Government notification referred to above, all switchgear was charged at 11 per cent. A certain measure of relief has been given by the notification, which assesses all motor starters and switchgear for use on high tension circuits (high tension being as defined in the Indian Electricity Act) at 2½ per cent. While gratefully acknowledging this concession we feel that the differentiation with regard to voltage is anomalous and bears hardly on the small user. Further, the final distribution voltage in even the largest systems is at low or at most medium pressures, *vide* the case of Calcutta and Bombay, so that the small motor user and distributing company is penalised, while the large mill-owner and super-power station get the lowest rate.

Instruments.—One of the greatest advantages of electricity is that no form of energy lends itself so easily to accurate measurement, but we regret to say that instruments and meters are at present assessed at the highest rate. The result is that several supply companies are compelled to charge a flat rate per lamp, a system which is really unsatisfactory to both supplier and consumer. Again, instruments are often an integral part of switchgear; it is accordingly only equitable that all meters and instruments should be assessed at the lowest rate.

17184. *Transmission and distribution apparatus.*—At present all transmission and distribution material covering poles, trolley wire, hardware, cables, etc., are assessed at the highest rate. On the other hand, a pole may be used as a part of a structure and, were it imported as such, would be assessed at 2½ per cent. From the steam engine, mechanical power is transmitted by means of shafting or belting to the machines where it is consumed. As an electric cable performs exactly the same function, only in a more efficient manner, the same import duty, namely, 2½ per cent., only should be charged. It may be argued that an electric cable may be used for the transmission of electric energy for lighting in addition to that required for power. But this appears to be a parallel case to the distribution of illuminating gas which is distributed to the consumer in pipes assessed at 2½ per cent.

17185. *Insulators.*—The Government notification does not specifically mention insulators, so they are still being assessed at the higher rate. Practically no commercial insulators are specially made for low or medium pressures as defined in the Indian Electricity Act. It seems therefore only fair that these should also be rated as low as possible, as in the case of high tension switchgear at present.

17186. *Telephone apparatus.*—A somewhat peculiar distinction exists at present between telephone and telegraph apparatus, the former of which is assessed at the highest rate and the latter at 2½ per cent. The distinction made between telephone and telegraph apparatus is all the more astonishing in view of the definition laid down in section 3 (1) of the Indian Telegraph Act, 1885. The use of a telephone is a necessity under the stress of modern times with increased salaries and wages. All telephone companies are public utility companies working under a license from Government who have the right to fix their charges. Any increase of cost is accordingly a great hardship, and bears heavily on the development of the telephone industry in the country.

17187. *Tramway material.*—A somewhat similar case occurs in connection with the assessing of all electrical apparatus for tramcars and street railways, which are at present charged at the highest rate. Cheap transport to and from the suburbs of our large cities is essential from conditions of health, if for no other reason. It is impossible to extend existing services or inaugurate new ones unless the present very heavy capital cost is reduced in every manner possible. The hardship caused is particularly great as tramway concerns are again public utility companies working under a license from Government who have the right to fix charges.

Tramways in this country are also faced with the relative ignorance of the travelling public and subordinate staff which precludes any complicated system of charging fares. Moreover, it is in the public interest that fares be fixed at the lowest possible figures.

17188. *Lifts.*—The present system of assessing lifts and their component parts is particularly unsatisfactory. Only the motor and gearing are charged at 2½ per cent., the rest, including ropes, balance weights, etc., being assessed as electrical material and therefore charged at 11 per cent., though, were they imported separately as ropes and cast iron, they would be charged at 2½ per cent. under the heading of iron and steel manufactures or hardware. This is certainly anomalous and a great hardship, as, in large towns with the rapid rise in land values, houses of several storeys are essential, so that a lift cannot be considered a luxury. In fact lifts are an absolute necessity in modern buildings.

17189. *Medical apparatus.*—From the point of view of value a relatively small amount of medico-electrical apparatus is imported and is charged at the highest rate. We feel you will have no hesitation in endorsing our view that this should be imported at as low a price as possible, in order that the number of hospitals and dispensaries equipped with the most up-to-date equipment be increased appreciably.

17190. In view of the above, we feel sure that you will agree that the present rates bear heavily on the electrical industry and that it is essential for the future progress of the country that the use of electrical energy and apparatus be extended to the fullest extent. We accordingly respectfully beg to suggest that, on your recommendation, Government may be pleased to enact that in future all electrical apparatus (whether imported separately or as an integral part of other plant to be driven electrically) be treated as "power-driven machinery not to be worked by manual or animal labour and charged at 2½ per cent. *ad valorem*" as is enacted in the case of other prime-movers.

17191. However, should Government be of the opinion that decreasing the duty to 2½ per cent. will result in a loss of revenue, we respectfully beg to suggest that the rate on all equipment and accessories appertaining to the various competitive forms of power production and distribution may be adjusted to such an extent that the revenue required by the State may be secured by the agency of a tariff uniformly imposed.

17192. The fear that any reduction would adversely affect revenue is, we feel, unfounded in view of the steady increase in the value of electrical apparatus imported into India during the last few years, as shown on the enclosed curve, combined with the fact that a reduction of the duty would undoubtedly increase the imports, while the impetus given to all industries requiring power would certainly result in a very decided increase of revenue.

We have the honour to remain,
Sirs,
Your most obedient servants,

Fred. W. Willis,
General Manager,
The Tata Hydro-Electric P. S. Co., Ltd.,
Andhra Valley Power Supply Co., Ltd.,
The Tata Power Co., Ltd.

Metropolitan-Vickers Electrical Co., Ltd.,
A. H. Chilton,
Joint Manager, Bombay Branch Office.

For Heatly & Gresham, Ltd.
W. M. Wakefield,
Manager.
John Fleming & Co., Ltd.,
A. Oakley,
Secretary.

The Eastern Electric Light & Power Co.,
K. S. Guzdar,
Manager.
A. Mahler & Co.,
representing
Brown Boveri & Co.

For Crompton's Bombay Ltd.,
Per pro. H. M. Watson & Co.,
Cursetjee M. Suntook,
Secretaries, Treasurers & Agents.
H. L. Rochat & Co.,
E. C. Corbould.

Per pro. Bombay Telephone Co., Ltd.,
C. Robinson,
Manager & Secretary.

The English Electric Co., Ltd.,
S. Rudd,
Manager, Bombay Branch.

Jost's Engineering Co., Ltd.,
George M. Wise,
Managing Director.

The Bombay Electric Supply & Tramways Co., Ltd.,
C. N. Moberly,
Managing Engineer.

Callender's Cable & Construction Co., Ltd.,
A. I. Hodgson,
For Engineer & Agent.

For The Surat Electricity Co., Ltd.,
Per pro. Killick, Nixon & Co.,
R. C. Giles,
Agents.

For The Ahmedabad Electricity Co., Ltd.,
Per pro. Killick, Nixon & Co.,
R. C. Giles,
Agents.
For Pioneer Electric Co.,
Ardeshir K. Modi,
Proprietor.
Precious Electric Co.,
K. S. Irani,
Partner.

Per pro. Greaves, Cotton & Co.,
Geo. Barnes.

Balmer, Lawrie & Co.,
R. J. Cockburn,
Bombay Representative.

Per pro. Holland-Bombay Trading Co., Ltd.,
F. G. Dikkers,
Manager.
Turner, Hoare & Co., Ltd.,
H. D. Ash,
Director.
F. & C. Osler, Ltd.,
S. Lawton,
For Manager.

For The Cotton & Commercial Trust, Ltd.,
Lalji Naranji & Co.,
Managing Agents.
For and on behalf of
The General Electric Co.
(India), Ltd.,
E. J. Warren,
Branch Manager.
International General Electric Co., Inc.
(of N. Y., U. S. A.),
Patrick Kelly,
Under Power of Attorney.

The Russa Engineering Works, Ltd.,
A. E. Wharry,
Manager, Bombay Branch.

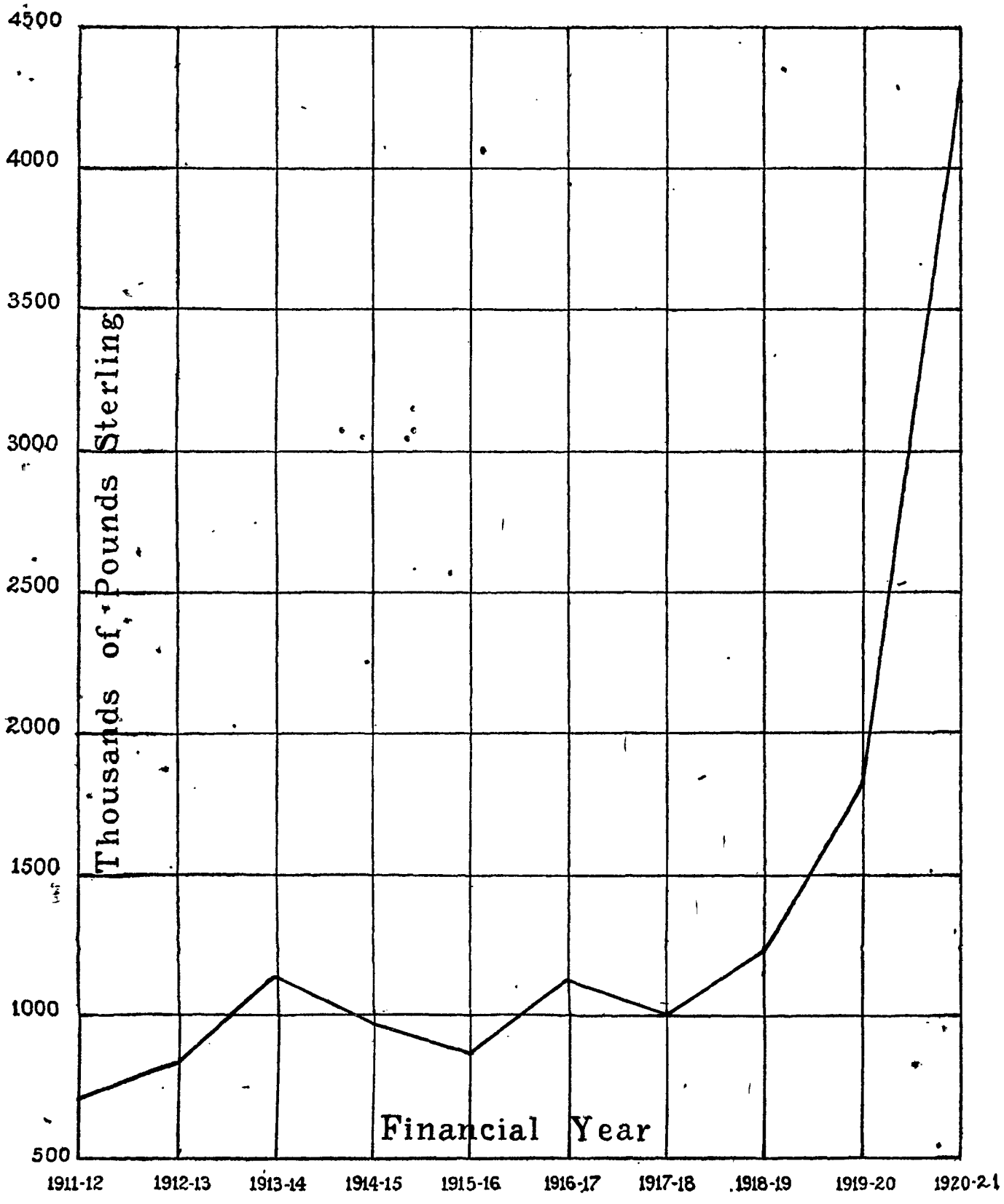
Pyne, Hughman & Co., Ltd.,
C. A. B. Pyne,
Director & Manager.

Per pro. The British Thomson-
Houston Co., Ltd.,
P. Kelly,
Manager.

W. T. Henley's Telegraph Works Co., Ltd.,
C. H. R. Thorn,
Manager for India.

For The Bhavnagar Electric Supply Co., Ltd.,
Lalubhai Samaldas & Co.,
Agents.
For The Central Provinces Electric
Supply Co., Ltd.,
Lalubhai Samaldas & Co.,
Agents.
N. J. Cursetjee,
For The Tata Engineering Co., Ltd.

Curve showing total value of Imports of Electrical goods, 1911-1921.



This curve has been prepared from data appearing in the annual tables relating to the trade of British India.

Signatory.	Name of Firm.	Subscribed Capital (Approximate).
George M. Wise	Messrs. Jost's Engineering Co., Ltd., Apollo Street, Fort, Bombay.	Rs. 2,00,000
C. N. Moberly	The Bombay Electric Supply & Tramways Co., Ltd., Colaba Causeway, Fort, Bombay.	„ 2,70,00,000
F. W. Willis	The Tata Hydro-Electric P. S. Co., Ltd., Navsari Buildings, Fort, Bombay.	„ 1,50,00,000
Ditto	The Andhra Valley P. S. Co., Ltd., Navsari Buildings, Fort, Bombay.	„ 1,60,00,000
Ditto	The Tata Power Co., Ltd., Navsari Buildings, Fort, Bombay ...	„ 4,50,00,000
R. C. Giles	The Ahmedabad Electricity Co., Ltd., Killick Building, Home Street, Fort, Bombay.	„ 15,00,000
Ditto	The Surat Electricity Co., Ltd., Killick Building, Home Street, Fort, Bombay.	„ 5,00,000
The Hon'ble Mr. Lalubhai Samaldas, C.I.E.	The Bhavnagar Electric Supply Co., Ltd. (Messrs. Lalubhai Samaldas & Co.), Apollo Street, Fort, Bombay.	„ 3,25,000
Ditto ditto	The Central Provinces Electric Supply Co, Ltd. (Messrs. Lalubhai Samaldas & Co.), Apollo Street, Fort, Bombay.	„ 8,00,000
C. Robinson	The Bombay Telephone Co., Ltd., Home Street, Fort, Bombay...	„ 20,00,000
A. H. Chilton	The Metropolitan-Vickers Electrical Co., Ltd. (Bombay Branch), Jiji House, Ravelin Street, Fort, Bombay.	£ 3,500,000
W. M. Wakefield	Messrs. Heatly & Gresham, Ltd. (Bombay Branch), 204, Hornby Road, Fort, Bombay.	.....
A. Oakley	Messrs. John Fleming & Co., Ltd., Bastion Road, Fort, Bombay.	Rs. 3,00,000.
A. I. Hodgson	The Callender's Cable and Construction Co., Ltd., Killick Building, Home Street, Fort, Bombay.	£ 1,600,000
A. K. Modi	The Pioneer Electric Co., 22, Churchgate Street, Fort, Bombay.	Rs. 1,00,000
K. S. Guzdar	The Eastern Electric Light and Power Co., Navsari Buildings, Fort, Bombay.	„ 5,00,000
A. Mahler	Brown Boveri & Co. (Bombay Office), Apollo Street, Fort, Bombay.	£ 1,280,000
K. S. Irani.	The Precious Electric Co., 47B, Apollo Street, Fort, Bombay.	Rs. 5,00,000
C. M. Suntook	Messrs. Crompton's Bombay Ltd., 35-37, Apollo Street, Fort, Bombay.	„ 1,00,000
Geo. Barnes	Messrs. Greaves, Cotton & Co., 1, Forbes Street, Fort, Bombay.	.....
R. J. Cockburn	Messrs. Balmer, Lawrie & Co. (Bombay Branch), 15, Oak Lane, Fort, Bombay.	.....
F. G. Dikkers	The Holland-Bombay Trading Co., Ltd., 75, Hornby Road, Fort, Bombay.	£ 100,000
C. A. B. Pyne	Messrs. Pyne, Hughman & Co., Ltd., 56, Esplanade Road, Fort, Bombay.	Rs. 15,00,000
E. C. Corbould	Messrs. H. L. Rochat & Co., York Building, Fort, Bombay ...	.....
S. Rudd	The English Electric Co., Ltd. (Bombay Branch), Sidhwa Building, Ballard Road, Fort, Bombay.	£ 2,950,000
H. D. Ash	Messrs. Turner, Hoare & Co., Ltd., Saparibagh, Parel Road, Bombay.	Rs. 10,00,000
S. Lawton	Messrs. F. & C. Osler, Ltd., 111, Esplanade Road, Bombay ...	.....
Lalji Naranji	The Cotton and Commercial Trust, Ltd. (Messrs. Lalji Naranji & Co.), Ewart House, Tamarind Lane, Fort, Bombay.	Rs. 30,00,000

Signatory.	Name of Firm.	Subscribed Capital (Approximate).
E. J. Warren	The General Electric Co. (India), Ltd., 9, Marine Street, Fort, Bombay.	.....
C. H. R. Thorn	Messrs. W. T. Henley's Telegraph Works Co., Ltd., 10, Forbes Street, Fort, Bombay.	£ 750,000
P. Kelly	The British Thomson-Houston Co., Ltd., Readymoney Building, Apollo Bunder Fort, Bombay.	„ 1,700,000
Ditto	The International General Electric Co., Readymoney Building, Apollo Bunder, Fort, Bombay.	.....
A. E. Wharry	The Russa Engineering Works, Ltd., Chaupatty, Bombay ...	Rs. 20,00,000
N. J. Cursetjee	The Tata Engineering Co., Ltd., York Building, Fort, Bombay	„ 2,52,000

Mr. N. J. Cursetjee.

Oral evidence, dated Bombay, the 20th February 1922.

17193. *President.*—*Q.* Mr. Cursetjee, you represent the principal users and suppliers of electrical apparatus in Bombay?

A. Yes.

17194. *Q.* A list of the signatories to the representation to the Fiscal Commission is given in your written statement. Do you appear on behalf of all those signatories?

A. I appear on behalf of the sub-committee which was chosen by the signatories. Before the memorial was finally printed every one of the signatories had identical copies. We had to go through that procedure because unfortunately up to date there has been no regular Association in any town in India which represents all the electrical interests. The electrical interests may be divided into three classes: the supply companies, manufacturers and dealers. Some of the manufacturers are already members of British and Foreign Electrical Manufacturers' Associations. Therefore they cannot always join the local Association unless it has been established for some considerable period.

17195. *Q.* As far as I understand your complaint is against the manner in which the existing Tariff Act is applied.

A. Not exactly. It has often happened that when revenue is wanted customs duty is increased. For instance, it was increased last year suddenly from 2½ per cent. to 7½ per cent. and in the case of some from 7½ to 11 per cent. This has a very serious effect on industries, especially in a case like our industry. I am speaking especially of that section dealing with public supply companies, who may not be getting all their plant out in one particular year. Practically none of the equipment of all big supply companies can be shipped inside a year. The whole scheme generally takes about three years. You can safely take three years as the minimum. Before that scheme is started Government insists on putting in our license the maximum rates of supply. Government is averse after a license is given to increase those rates. If in the period of three years, as has happened in the past, the rates are increased, we are severely handicapped.

17196. *Q.* I can see it. But my question was this, that so far as I can judge from your written statement, your grievance really is as regards the manner in which the Tariff Act is applied; that is to say, you are complaining that the rates are raised but that the maximum charge which you are permitted to make is not altered. That is all executive, is it not?

A. Not in the way that mechanical people can get all their things at a much lower rate. They are the people whom we are in competition with. For instance, take gas. There has never been any high rate put on gas pipes. Where there is a competitive tender between gas and electric supply it is unquestionable that, were it not for the question of price, the electrical manufacturers would be able to have a chance of competing.

17197. *Q.* You think that the recent rise in the tariff rates has affected differently one class of suppliers to the detriment of another.

A. It affects the mechanical people more advantageously than the electrical people. I may say that the position of the electrical industry in India in comparison with the rest of the world points to the fact that the actual study of the growth of electrical appliances is sufficient to warrant a uniformly low rate, which will, in spite of any trade depressions, give you a steady and gradually increasing revenue and consequently not necessitate any sudden fluctuation even from the point of view of finance.

17198. *Q.* Don't you think that that argument can be applied with equal force in regard to all imported articles? The Government require revenue and they revise their tariff rates, and all the imports come within the purview of that revised policy. Every importing firm can very easily point out that they are adversely affected.

A. But the figures with regard to other industries have not, as it were, a continued rise in total value as is the case with regard to electrical apparatus.

17199. *Q.* At present everybody is finding that the actual prices of all imported articles have risen since the war and are still maintained at two or three times their pre-war level.

A. Certain industries are not showing the same steady increase which ours is showing, Sir. For instance, take the question of increased railway rates. That may work in a contrary way. That may mean that coal will come in at a much more expensive rate. We are working under a license and are not in a position to increase the rates. The supply companies are hampered by that. They are indirectly paying additional revenue, paying the increased railway rates and also paying a higher rate of duty.

17200. *Q.* If you take point by point without mixing them up it will come to this. You are complaining as regards the rates of your license. As a matter of fact I know that in some cases the maximum rates have been increased by executive orders by the Local Government. The question is one for executive orders by the Governor in Council or by the Governor-General in Council. As a matter of fact your own statement shows that so recently as November 1921 Government met your demands to a certain extent.

A. But then we may say that the recent resolution of Government dealt with an outstanding question and was the result of some representation three or five years old.

17201. *Q.* You are right. But what I want to know is this. Have you got any grievance or complaint as regards the tariff policy which we are asked to enquire into and in regard to which you want the Commission's help? In your

statement you indicate the various articles on which 11 per cent. is being levied now, and which ought to be classified under the 2½ per cent. list. That is not a question at all of policy. It is a question of the application of the Tariff Act. If you have got any complaint to make as regards the general policy which has been pursued by the Government of India so far and indicate what policy your trade requires for the future in the interests of India we are prepared to consider it.

A. One of the points for the consideration of the Indian Fiscal Commission is the fostering of Indian industries.

17202. *Q.* If you can tell us how the present policy should be modified with that view, we are prepared to consider it.

A. We feel that the making of all electrical apparatus in every form, especially in the form of motors, and distributing the power available in as cheap a form as possible to the consumer are absolutely essential to the industrial regeneration of India.

17203. *Q.* The complaint that you make is that higher duties are being levied on articles which you import for purposes of your trade. Can you tell us what prospects there are of your own companies manufacturing these articles instead of having to depend on foreign imports?

A. With regard to the manufacture of these articles locally, it is bound to come in course of time. But the majority of the electrical apparatus imported at present is of a very highly specialised nature. Also it is an industry which it is essential should have a very high standard of research work at its back. We feel that the electrical manufacturing industry will gradually make its way felt. For instance, the railway companies are making some of their smaller fittings out here. Some of the bigger supply companies are making their fittings out here. The industry will come in very gradually on conditions becoming more favourable for particular manufactures. At present no electrical goods are manufactured in India on a regular scale. Such manufacturers as there are have their books more than filled up by orders which are of an urgent nature or of a special type which can be made here rather than made abroad.

17204. *Q.* And so you desire that the import duty levied at present on your imports should be reduced?

A. It should be as low as possible.

17205. *Q.* It should be cut down to the lowest figure?

A. Yes.

17206. *Q.* What effect would this reduction have on the prospects of manufacturing these articles here?

A. It won't have any effect.

17207. *Q.* Would it not have any adverse effect?

A. I should not say that, from my experience. For example, the companies which have started work on proper lines in India have got their books full up with orders in spite of the present conditions of highly specialised work and research abroad.

17208. *Q.* Do you think that these companies will be getting full orders though the present duty is reduced?

A. Yes; the freight alone gives them a protection of 10 to 15 per cent. The freight on electrical goods is relatively rather high because of special packing, etc.

17209. *Q.* This is the first time that we hear that industrial development in India will be promoted by a reduction of the present tariff duties.

A. It won't be promoted, but I am saying that it cannot be stopped.

17210. *Q.* You want either that the present tariff rates should be reduced to a minimum or that your maximum rate should be increased?

A. No, Sir. Maximum rate is not exactly a function of this particular Commission, nor would it affect all the signatories. It would only benefit the supply companies at the expense of the consumer.

17211. *Q.* Then you are pleading here in the interests of the consumer to give them cheap supplies of electrical power?

A. Yes, Sir.

17212. *Q.* By means of a reduced tariff rate?

A. It will not only affect the supply of power, but the purchase of apparatus on the consumers' account.

17213. *Q.* And so it will cheapen the supply to the consumer?

A. Yes.

17214. *Sir Maneckjee Dadabhoy.*—*Q.* I understand that your principal grievance is that main electrical machinery is charged at 2½ per cent., while the subsidiary parts required to work that main plant are charged at 11 per cent.

A. Yes.

17215. *Q.* You want a reduction of this 11 per cent. to 2½ per cent.?

A. Yes.

17216. *Q.* Does this involve any question of fiscal policy?

A. Except that from the point of view of encouraging industries we would prefer an authoritative body like this Commission to make a statement that in your opinion the electrical industry is one which it is essential to foster at as cheap a rate as possible to the consumer.

17217. *Q.* You don't mean to say that by reducing the duty from 11 per cent. to 2½ per cent. on certain parts of the machinery, the general consumer will get the energy at a cheaper rate?

A. Excuse me, Sir. I have definitely separated in our estimates what would be called parts. You can take it that 60 per cent. of the capital outlay on electrical apparatus consists of distributing apparatus. After the submission of our evidence, we made out a sketch showing the various items starting from the engine to the driving machinery side by side for the mechanical drive and the electric drive.

17218. *Q.* Are you not much better off than the mechanical people?

A. No. There are six sections on the mechanical side all of which come in at 2½ per cent. In actual practice we have found that there are as many as 13 various essential sections through which electric energy has got to pass.

17219. *Q.* Have you got any plant here for the purpose of making these parts in India?

A. For instance, all the big companies make their own spare parts; the railway companies and the big supply companies also make their own spare parts.

17220. *Q.* Have you got any public company?

A. The public have to import. The minor agents are all putting in small factories of their own.

17221. *Q.* You won't be able to meet the requirements of the whole country for years to come.

A. As soon as the capital is available, it will be possible.

17222. *Q.* There is nothing to prevent capital from going into it. I understand that there is no means of turning these things out in India for several years. If that is so, why should the revenue be sacrificed?

A. Because you are, by making electrical energy cheap and electrical apparatus cheap, getting the industries further ahead. If I am allowed, I can give you a particular instance. In Bombay during the war 26 mills were worked with electric power. Had these mills not had electric power one of two things would have happened. They would either have stopped or so much more Indian coal would have been used. Now all over the world electric industry is being used from the point of view of conserving national resources. Therefore any industry, anything which tends to cheapen electricity, will almost invariably tend to the preservation of national resources.

17223. *Q.* I quite admit all that, but as a matter of fact this 11 per cent. duty has not in any way interfered with or stopped or retarded the growth of electrical works in India, has it?

A. It has stopped the growth of electrical works in India. For instance, there are many small towns in the districts which should have their electricity supplied just as they have in England and America where they have not got coal near by.

17224. *Q.* That has nothing to do with the duty.

A. Those have been retarded for the . . . .

17225. *Q.* Let us confine ourselves to the duty only. I want to know whether the duty has affected the industry.

A. It has put up the cost by 10 per cent.

17226. *Q.* Every industry has to put up with this increased cost. You have got no special grievance, or a case to enable you to be differentially treated.

A. There is one more point.

17227. *President.*—*Q.* Let me ask one question. Your contention is that if the concessions you are asking for are allowed you will be able to supply power for manufacturing purposes to industries at lower rates than you are able to supply them now.

A. Yes.

17228. *Q.* To what extent?

A. We will be able to supply power at a lower rate or increase the amount of power and make extensions available which are not at present commercially feasible. For instance, take the tram works. The extension of tramways involves a tremendous amount of capital, and when a high duty is levied on tramway materials it does retard the extension of tramways. Take telephone works. The auto-

matic exchange, if it is going to be introduced, would necessarily cost in the first instance much more per unit than the old type, and if you are going to supply labour and give modern conditions to India, we want to bring the prices of these things down. In that respect we do feel that, though we will not be able to give a reduced rate in money, we will give a reduced rate in this respect that we put forward extensions and up-to-date conveniences and up-to-date conditions at a higher rate than is being done at the present moment.

17229. *Q.* At a higher rate?

A. I mean higher speed.

17230. *Sir Maneckjee Dadabhoy.*—*Q.* The present electrical companies are full of orders?

A. Yes.

17231. *Q.* They are doing well?

A. For instance, the amount of electricity used per head of population in India is very low compared to other countries.

17232. *Q.* That might be due to many other causes. If the companies that are at present in existence have got plenty of orders why do they require protection?

A. Simply because we want to improve the standard. On that basis I should say that the cotton mills are not yet working on a short time. The cotton mills' average profit is higher than the average profit of the electric power suppliers

17233. *Q.* This is a new industry and a highly specialised industry in this country. People cannot take to it immediately and capital also won't run to it till people are satisfied that these works are paying.

A. Yes.

17234. *Q.* I don't think that this 11 per cent. duty on certain parts has really any effect of downing it.

A. Not the industry such as it is, but it has prevented the industry being used in our opinion for the benefit of other industries, if I may say so.

17235. *Q.* Do you mean that its more extensive ramification has been prevented by this high duty?

A. Yes.

17236. *Q.* Now this high duty was only imposed in March 1921. Do you think that it is time for you people to judge that it has done this?

A. Previous to this it was still 7½ per cent.

17237. *Q.* You did not complain when there was 7½ per cent. duty?

A. Of course there was not the same amount of combination, there was probably not the same amount of opportunity, and also there was probably not the same amount of necessity.

17238. *Q.* I want to fully understand what is your data for coming to the conclusion that this 11 per cent. duty has affected the industry when there has not been enough time to find out the exact position.

A. Previously it was 7½ per cent., and whenever we had questions of electrification, we were almost always up against the mechanical drive. We were almost always outdistanced on a figure of cost.

17239. *Q.* Because people are not yet trained up in that direction. They have not got that knowledge to know that electric drive has got superior advantages, and people naturally cling to the old habits.

A. Electric drive is more expensive than mechanical drive.

17240. *Q.* No wonder, people prefer mechanical drive. If they can get it cheaper in any other way, they will certainly do that.

A. Generally people favour taking electric drive but now-a-days it is all a question of cost. The high duty of 11 per cent. puts up the cost.

17241. *Mr. Jamnadas Dwarkadas.*—*Q.* I should like to summarise your position. Your electrical drive is more expensive than the mechanical drive. The electric drive would be availed of by the industrialists to a larger extent if you and the mechanical drive people were put on equal terms.

A. Yes.

17242. *Q.* At present the position is this, that they are at an advantage with regard to their paying 2½ per cent. duty and you pay 11 per cent. in similar cases.

A. Yes.

17243. *Q.* Your contention is that if a similar rate prevails in the case of both, electric drive would be taken greater advantage of by industrialists?

A. Exactly.

17244. *Q.* And this would obviate many difficulties that are at present existing?

A. Yes.

17245. *Q.* Besides the use of your electrical power would encourage industrial growth?

A. Exactly.

17246. *Q.* Your contention is, you require this help from the Fiscal Commission,—that looking to the industrial interests of the country you would rather that the Commission recommended that this power should be made available to the industrialists at a cheaper rate in the first place by putting the import duty of mechanical drive and electrical drive on an equal basis.

A. Exactly. There is one point which I want to make clear. Generally electrical apparatus is more expensive, even f.o.b., than mechanical. Let us suppose that it is 50 per cent. more expensive. If you have a 2½ per cent. duty on mechanical work and 11 per cent. duty on electrical work, you are putting up the cost by 65 per cent.

17247. *Q.* Making it more expensive means denying to the industry the advantage which it would otherwise derive?

A. Exactly,

17248. *Q.* While this is a matter of classification by the Legislature, you would, I think, submit to the Fiscal Commission that it should make this point clear to the Government in its recommendation?

A. Yes.

17249. *Mr. Mant.*—*Q.* There is a diagram at the end of your statement. Does that represent the apparatus on which you want the import duty lowered?

A. That shows the value of the electrical apparatus as shown by the Customs returns.

17250. *Q.* What I wanted to know is this. You want a reduction of duty on electrical apparatus. This diagram shows electrical goods. All I ask you now is whether it is the same thing as electrical apparatus.

A. At the time of assessing customs duties electric machines like Diesel engines are separated from apparatus like electric cables, wires, etc., which are assessed under a different heading, but this diagram is, so far as we can gather from the Customs returns, a collection of all the electrical apparatus like cables, etc., imported into India.

17251. *Q.* That is sufficient for my purpose. I only wanted to bring out the fact that the diagram does not show such a decline that it required special protective treatment.

A. It is not a question of a languishing industry. It is a question of being in what we consider unfair competition with other industries.

17252. *Q.* Your imports are going up by leaps and bounds?

A. So is the value of every other import.

17253. *Q.* You don't maintain that your industry suffers by the tariff, but merely that it is not as lightly treated as mechanical industry?

A. It is being injured in competition with others. As I pointed out some time ago, there is actual competitive tender at present between gas and electricity which affects us because of the increased expense.

17254. *Q.* It seems to me that many of the details in your written statement are technical.

A. That is the result of taking facts as they are. If I may be allowed to make a suggestion, probably it does not come under the purview of the Fiscal Commission. Each port should have an advisory board selected by public bodies which would keep them in touch with the industry and also the industries in touch with them. Probably the difficulties to which I have referred may not have arisen had there been such a board, but I am not sure whether the suggestion I have thrown out comes within the purview of the Fiscal Commission or whether this is an administrative suggestion; but in the absence of any definite body or authority to whom we can take our grievances ....

17255. *Q.* Do you mean that you want to appeal against the decision of the Customs Collector?

A. Not exactly that. We have no grievance against the actual officials because they simply get a statement that such and such a thing is to be assessed as electrical accessories at 11 per cent. and such and such a thing is to be assessed as electrical machinery at 2½ per cent., and it is not their fault; but if, especially with a growing and varying industry like ours, each body was assisted by a group selected not from individual firms, but by public bodies, it would help to remove these anomalies. Since this representation was out, we have had replies both from the Government officials like the Electrical Inspector and also from other public bodies outside Bombay trusting that either through our representation or directly by Government enactment these inequalities will be removed.

17256. *Q.* I am coming to that. These anomalies you refer to arise really from having a lower duty on some articles than on others. For instance, it is often difficult to determine what is a component part. I don't know whether

you have noticed the definition in the proviso in the Tariff Schedule.

A. Yes.

17257. *Q.* It provides that only such articles should be admitted as component parts of machinery as are indispensable for the working of the machinery and are owing to their shape or other special quality not adapted for any other purpose.

A. What we always come down upon is the second paragraph. The customs officials and assessors accept that it is essential for the operation of the machinery, but they say that owing to their shape or other special qualities they are adapted to other purposes, which seems anomalous.

17258. *Q.* If you want to prevent others from importing those things as component parts and using them for other purposes, what would you do? It is very difficult for the customs officials to know from their appearances that they are not going to be used for any other purpose?

A. Take the case of guard rails to the Diesel engines. Guard rails can be used for certain other purposes, but on the other hand Diesel engines without guard rails would be practically impossible. Because certain companies definitely specify their guard rails they are immediately penalised by having to pay at the higher rate because the customs officials say that guard rails can be used for certain other purposes. Cases are on record where the guard rails and other accessories have been simply invoiced as Diesel engine parts and they pass through. Now if a complete order is placed for one item and if it is not imported as a separate spare, it should be imported at the same rate as the major plant, and then another question comes in, *i.e.*, the impossibility of assessing it. We place an order for the whole and we cannot give the value of a part.

17259. *Q.* You are claiming in one place that the oil should come in as a component part?

A. Yes.

17260. *Q.* Surely the oil can be used for other things?

A. Even if you get it at Rs. 5 per gallon, it would not pay you to use it for other purposes.

17261. *Q.* However, my point is that the Legislature found it necessary to limit very carefully the special concession given to the machinery and you propose to extend it. It would very likely lead to difficulties.

A. May I answer this by another question? Have definite figures been prepared showing whether the assessing of component parts of this sort has paid for the extra trouble of the assessor?

17262. *Q.* I am afraid I have not got the figure.

A. So far as my main complaint is concerned, I may say that it does not even pay the cost of the appraiser's time in making the assessment.

17263. *Q.* Some witnesses have proposed a high duty all round as the proper remedy. What is your view of that?

A. That would probably be killing the goose that lays the golden eggs.

17264. *Mr. Rhodes.*—*Q.* With reference to the point raised in your answer to Mr. Mant, has your committee considered the proposed appointment of a Controller-General of Customs, and would this help you in any way?

A. That point I am not exactly in a position to reply to definitely. I do not understand what is going to be the advantage if the Controller-General is not going to have a Board attached to him.

17265. *Q.* He cannot decide the law, you must understand that?

A. He can interpret the law from time to time and base it on technical advice received from other recognised bodies.

17266. *Q.* India's tariff law is exceptional as compared with other countries in the smallness and fewness of the items. Would you advocate an increase in the number of items as regards electrical apparatus?

A. Personally I think that the number of separate items should be reduced. The larger the number of items the larger the amount of administrative expense.

17267. *Q.* You want a uniform tariff particularly well defined?

A. We feel that necessity particularly. Our industry is complicated. According to the new rule high tension is assessed at one rate and low tension at another.

17268. *Q.* Can high tension be used for low tension?

A. It would not pay.

17269. *Q.* Your committee consists of well-known names, and if you put up a recommendation to Government to increase the number of special items, that would save a lot of letterwriting that you referred to.

A. We have sent in this evidence and we propose to put this representation before the Customs Committee sitting in Calcutta.

17270. *Q.* You have not drawn up a list which would increase the heads of schedules?

A. The Secretary of the British Electrical and Allied Manufacturers Association Committee sent a representation on the 8th of August 1921 dealing with specific items which they separated into something like 7 schedules. There were something like 25 items.

17271. *Q.* Do you advocate that?

A. Our committee has not gone into that in detail, but we certainly feel that whereas the definite separate groups should not be too many, each group should have a large number of definite items mentioned in it so as not to leave any doubt in the matter of assessment. On the other hand, we feel that, however you may arrange the tariff schedule, an advisory board would be of advantage both to the Customs authorities and to the industry.

17272. *Q.* I gather from your statement that you advocate that the Customs authorities should take into account the purpose for which an apparatus is applied. The Customs authorities, on the other hand, are very emphatic that no such distinction should be made. They are afraid that they will not pay the duty once the goods have left the Customs.

A. But even to-day the Customs give a rebate on Railway and Government plant.

17273. *Q.* Do you mean plant imported on Government account?

A. They are imported for public service. Among the signatories to this evidence are public companies which run public services. Take trams: they are in direct competition with the railways.

17274. *Q.* Will you advocate special people having special concessions?

A. Well, our committee has not definitely discussed that point and asked for any definite opinion on it, because for one thing if you accept that principle, you are going to hit the local dealer. I may say this personally in connection with this point. In connection with Government work, if you send for a tender and ask local people to quote and ask the principals in England to quote, the prices in England would almost invariably be cheaper, because they will invoice the order as f.o.b. and it will pass through the Customs either free or at 2½ per cent., as the case may be; but the local dealer will have to pay more. Therefore we have left that point over.

17275. *Mr. Seshagiri Ayyar.*—*Q.* I want to ask you only one question in the direction in which Mr. Jamnadas took you. I take it that your position is this: that while revenue will be raised by a high tariff, it will be better raised by reducing the tariff on electrical apparatus, because more power will be used by mills and other bodies and thereby there will be more production in the country.

A. Yes.

17276. *Q.* Therefore, what is lost by a reduction in the customs revenue from 11 to 2½ per cent. will be more than compensated by what would be gained by increased production in the country.

A. Yes.

17277. *Mr. Coyajee.*—*Q.* If we can get to the *rationale* of the economic principle which underlies lower duties on machinery and component parts, then we can apply it to all the cases which you have put down. Now the economic principle on which lower duties are levied on machinery and component parts is found in Sir James Westland's speech when he introduced this principle for the first time in our tariff system. The principle is this: "The ground of exemption for machinery is that capital should be encouraged to go to the larger industries." Therefore that machinery which is used by large scale industries should be exempted from the higher rates. Now proceeding to apply it to your cases, obviously telephone apparatus and tramway material ought to be charged specially low rates, because they are large scale industries.

A. But how are you going to differentiate Sir. Take a telephone installation for a big group of offices. If they want to put up a 100 line telephone exchange privately, would you say that it is a private shop?

17278. *Q.* No. You must take the telephone industry as a whole. The whole telephone industry must get the benefit of the lower rate. Let us apply the principle as we find it in Sir James Westland's speech. When machinery is applied to bigger industries it should be charged specially low rates,—that is the principle. Let us take case after case and apply this principle. Then, telephone and tramway material should have lower rates.

A. And others should be high.

17279. *Q.* No. I am not saying that. It is for you to suggest which of the other items are pre-eminently used in large scale industries. My suggestion is, you should take the various heads of the Customs schedule into consideration and apply this principle to each case.

A. That is, admitting that we agree with the basis that the big industries should be fostered and the smaller industries are not encouraged. Our group is just as keen to assist the small man as to assist the big man. I feel that gradually every small town,—even so small as Kalyan,—should have its own electric supply. Personally I cannot accept the principle of assisting an industry because it is big.

17280. *Q.* No. What I suggest is that the principle I have mentioned will cover almost all your cases.

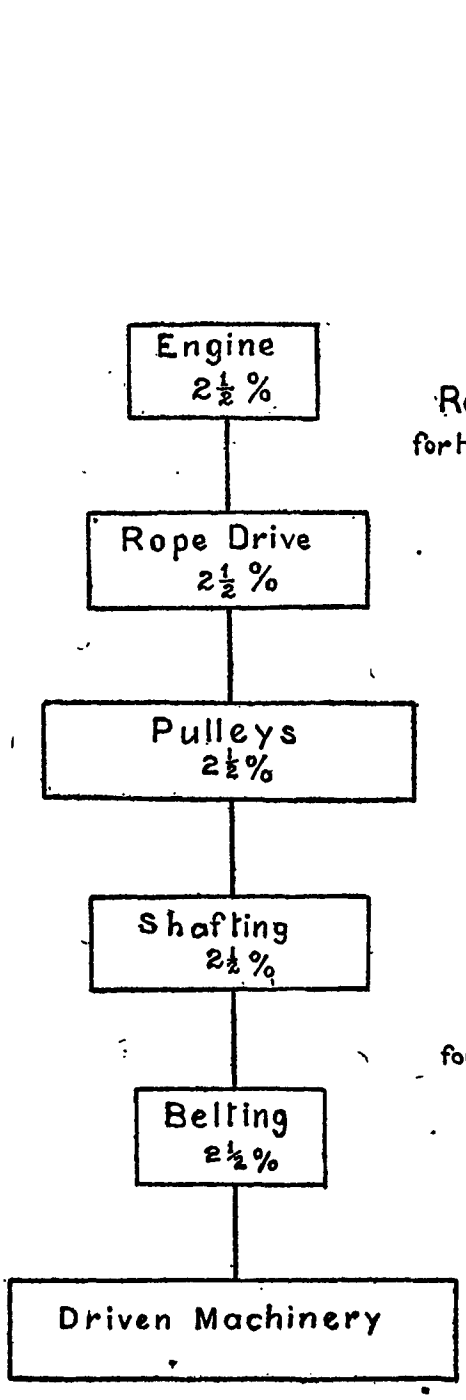
A. Our memorial has been drawn up on the basis of supporting the big man as well as the small man.

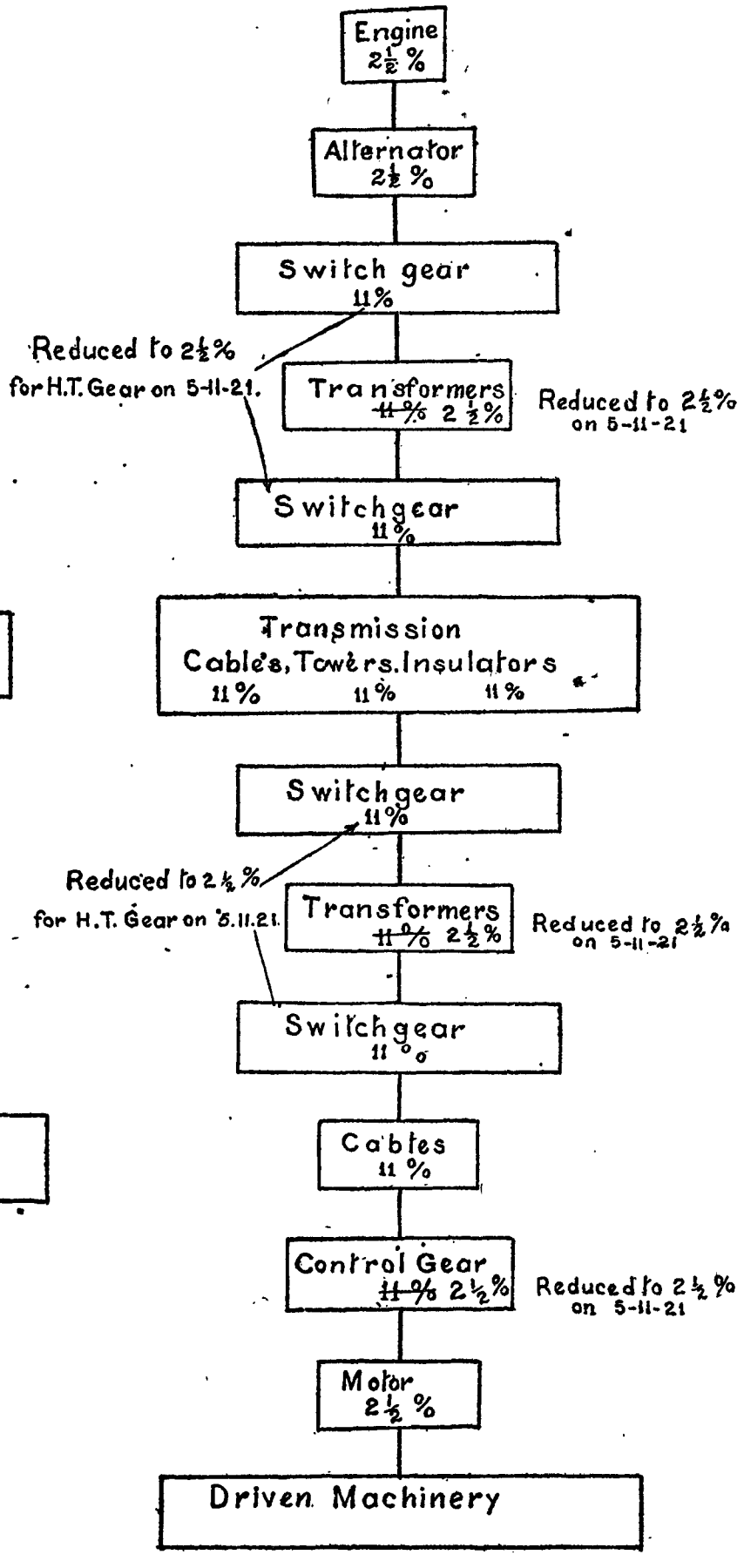
17281. *Q.* I suggest that the principle laid down by Sir James Westland would cover all your cases.

A. If it covers, it is all right.

Supplement I

Chart showing Customs Tariffs on Electrical and Mechanical Equipments





17282

17283. SUPPLEMENT II.

Copy of a letter No. 277-R., dated the 22nd March 1922, from the Secretary, Indian Mining Association, to the Secretary, Indian Fiscal Commission.

The Secretary to the Sub-Committee appointed by the principal users and dealers in electrical apparatus in Bombay, has favoured the Association with a copy of the Sub-Committee's representations of 26th January 1922 to you, setting forth some of the disadvantages under which the electrical industry is suffering owing to certain anomalies of the present Customs Tariff.

I am directed to inform you that the Committee of the Indian Mining Association support the above representations, and trust that they will receive favourable consideration.

17284. SUPPLEMENT III.

Copy of a letter No. G.-467—22, dated the 22nd/24th March 1922, from the Director, The Tata Iron and Steel Company, Limited, Bombay, to the Secretary, Indian Fiscal Commission, Camp.

We have been favoured with a copy of the representation submitted to you by the Sub-Committee appointed by the principal users and suppliers of electrical apparatus in Bombay. On the whole, we are in entire sympathy with the representation made by them. We have had to engage ourselves in long correspondence with the Customs officials at Calcutta, the Board of Revenue and the Government of India in pointing out the indiscriminate application of the higher rate of duty on various shipments received by us where only the lower rate was leviable. In several cases, the Customs Authorities themselves or the Board of Revenue, Bengal, on appeal agreed with our contentions. Where, however, these authorities were unable to do so, we had to approach the Government of India with the result that that Government appointed a Committee who were to have met in Calcutta on the 7th instant to consider this subject. We have not so far received any report of the proceedings of that Committee.

We would however point out that no reasoned principle underlies either the present tariff for electrical machinery or its application. We can see no valid reason for differentiating between the electrical and steam power plants or for favouring mechanical rather than electrical transmission. We have already on several occasions urged that the real test in the case of machinery should be the declaration of the importer of the purpose for which it is to be used and that electrical machinery that is in fact intended to be used to create power and is so used, should be admitted on the lowest scale. We therefore desire to associate ourselves with this representation.

17285. SUPPLEMENT IV.

Copy of a letter No. 20-C.—19, dated the 23rd February 1922, from the Karachi Chamber of Commerce, Karachi, to the Secretary, Indian Fiscal Commission, Camp, India.

A copy of the representation, dated January 26th, 1922, made to the Indian Fiscal Commission by the principal users and suppliers of electrical apparatus in Bombay has been forwarded to this Chamber, and I am directed by my Committee to state that this Chamber is in agreement with the views expressed therein, and desires strongly to support this representation.

One of the principles which govern the admission of certain classes of imports (*e.g.*, machinery) at 2½ per cent. *ad valorem* Customs duty is that these imports represent fixed capital directly employed in the productive industries of the country. My Committee quotes the following from Sir James Westland's speech in the Legislative Council in the year 1894 :—

" Looking to the fact that there is a certain amount of capital which is seeking investment in some productive line of business, we want to attract that capital to those lines of business in which India is interested, or at any rate to prevent it being discouraged by the weight of any additional taxation."

The Electrical is certainly a productive industry which it is desirable to encourage and the major portion of the plant and materials imported for electrical purposes represents fixed capital directly employed in such industry.

To take the case of Electric Lifts. The high values of land in large towns necessitate high buildings for which lifts are necessary. If they could be imported at 2½ per cent. instead of 11 per cent. duty the cheaper resulting cost would tend to encourage house building, which is itself a productive industry reserving of special encouragement in the present very great shortage of house accommodation.

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ROYAL ASIATIC SOCIETY OF THE BOMBAY BRANCH OF THE

Witness No. 115.

JAMSETJI ARDASEER WADIA, Esq., No. 137, Esplanade Road, Bombay.

Written evidence dated the 12th December 1921.

17286. I am, generally speaking, in favour of protection and I do not think that any purely agricultural country can have prosperous industries within a limited time without protection. I am also of opinion that there is no large civilised country to-day which is purely free trade like India. I also most emphatically deny the right of England to consider herself a free trade country before the last war or since. In my opinion she has been a protectionist country under the deceptive and cunning guise of her so-called free trade. Let me make my meaning clear. Lancashire has been protecting her cotton industry by compelling India to be on a free trade basis, so that we may consume her goods in ever-increasing quantities instead of supplying our own wants by extensive cotton manufacture, which we are in a position to do to the extent of about 80 per cent. if we had protection. If Lancashire honestly believes in free trade, why should she whine, which she is doing to-day at the recent increase in import duties which are levied for revenue purposes in India? I have before me a London Reuter's telegram, dated the 22nd November 1921 which runs as follows: "A joint meeting of the Cotton Employers and Workers' delegates in Manchester unanimously passed a resolution protesting against the continual imposition of Indian import duties on cottons without equal countervailing excise duties and demanding abolition or substantial reduction of the duties. The Committee was appointed to organise agitation against the duties in and out of Parliament." You will thus see how Lancashire has been protecting and wants to protect her own industry under the hypocritical guise of free trade. It may be said that Indian industries have also progressed. No doubt they have, but our progress is nothing compared to what it might have been under protection. Look at the achievement of America. She has no doubt natural advantages in raw material; so have we. Japan is more or less like England. She has no raw material, and she has like England a very limited home market. In spite of all our natural advantages such as cotton, coal, labour, capital, and above all home markets, Japan has distanced us owing to protection, and she has done the same thing with Lancashire in spite of her "Age-worn" skill.

17287. A few figures will convince you as to the truth of my statement. In 1877 Bombay shipped to Japan 142 bales of yarn; in the year 1887, we shipped 39,730 bales to that country; in 1889, we shipped 62,220 bales. That was our highest shipment; then the decline commenced. In the year 1899, our export to Japan fell to 250 bales per annum; in 1904 we shipped only 3 bales and since then practically nothing. Now turn to Japan's consumption of Lancashire yarn. In 1877 Japan took 1·5 crore lbs.; in 1887, 2·34 crore lbs.; in 1889 she took 2·68 crore lbs.; in 1899 she took 1·25 crore lbs.; in 1904 she took 6·80 lakh lbs.; since 1911 not a pound. Now turn to India. We took from Lancashire in 1877, 3·60 crore lbs. of yarn; in 1887 we took 4·88 crore lbs.; in 1889, 4·53 crore lbs.; in 1899 we took 3·90 crore lbs.; in 1904 we took 2·64 crore lbs.; in 1912 we took 4·21 crore lbs.; in 1913, we took 3·74 crore lbs.; in 1914, 3·74 crore lbs.; in 1915, 3·79 crore lbs.; in 1920, 2·28 crore lbs. Now turn to cloth. In 1877 Japan took from Lancashire 2·71 crore yards; in 1887, 6·54 crore yards; in 1889, 8·25 crore yards; in 1890, 9·38 crore yards; in 1904, 4·23 crore yards; in 1914, 2·60 crore yards; in 1920, 2·61 crore yards. In British India in 1877, we took 130 crore yards; in 1887, 181 crore yards; in 1889, 200 crore yards; in 1899, 218 crore yards, in 1904, 225 crore yards; in 1914, 260 crore yards; in 1920, 137 crore yards. The object of giving you the above figures is to show the great progress made by Japan with the help of protection, although she has no raw material or home markets worth the name.

17288. For further information I beg to send you herewith a copy of the *Times of India*, dated 22nd September 1921, in which I have contributed an article on the Textile Industry. This article embodies my views on various points. I do hold that all import duties are a tax on the consumer. If you want an army and navy for your protection, you have to pay for them; and as industries are equally necessary for the safety and the well-being of a country, I do not see why the people should not pay for them. India is a poor country. I, therefore, think that a heavy duty would be undesirable; nor do I think that it is advisable to foster any industry which requires more than 25 per cent. import duties. India is a unique country, and we are so situated that in my opinion an import duty would not hurt her millions who are too poor to buy imports. It was stated in the Supreme Council by Mr. R. D. Tata that the millions of India do not consume annually more than Rs. 15 crores worth of imports. I believe that figure to be somewhat low, but I believe that the millions of India do not consume nor are they interested in imports except to the extent of about 25 per cent. per annum at the very outset.

17289. I have before me Review of the Trade of India, 1913-14, the last pre-war year, when our imports excluding treasure came to about 183 crores, and in my opinion a portion of it only is used by the millions of India. I will give you the figures of those articles which I believe the poor are supposed to consume.

	lakhs.
Dates	60
Betelnuts	122
Kerosene	285
Salt	87
Matches	89

All in all about 6·43 crores. As to sugar I have omitted that because the poor use molasses, if you include sugar, the import of which is given at 14·17 crores, the total amount would be about Rs. 20·60 crores. If you add machinery of all kinds, iron and steel and all railway plant worth Rs. 15·14 crores the whole total comes to Rs. 35·74 crores. I have purposely excluded imported piece goods and yarn from Lancashire and other countries as the Indians are too poor to utilize imported cloth and yarn which came to about 63·16 crores, 4·16 crores being yarn.

17290. The population of India according to the last census is about 320 millions, 70 per cent. of which consists of poor agriculturists and 30 per cent. of non-agriculturists. I omit from my consideration the agriculturist class, and if I divide imported piece goods and yarn among the non-agriculturists, it will give you an annual average of Rs. 6-9 per head of the population who consume imported cloth and yarn. If I am asked how the 70 per cent. of the agriculturist class clothe themselves I would say partly by the use of Indian Mill cloth and partly by hand-loom weaving and partly by going about in a seminude state. I will give you an idea of the hand-loom industry of India. I take the following figures from the millowner's report for the year 1909 in which year the mills produced in India 65·68 crore lbs. of yarn out of which 19·25 crore lbs. were consumed in the production of cloth. From the available balance of 46·44 crore lbs., 23·54 were exported and 22·90 crore lbs. were consumed by hand-loom weavers. The imported yarn for that year comes to 3·60 crore lbs. the greater part of which was consumed by the hand-loom weavers; so, if you add that to the Indian yarn consumed by them you will find that the hand-loom weavers have consumed in all nearly 26·50 crore lbs. *against* 19·23 crore lbs. consumed by the mills of India. You will naturally consider that, what with imported cloth, what with the output of the Indian mills, and what with the production of hand-looms, the shortage of cloth in India is great, but that is owing to the extreme poverty of the people. Millions are in a condition of semi-starvation and millions must be going about in a seminude state, and I believe the economic policy and the currency policy of the Government of India are responsible for this to a large extent. I have no doubt in my mind on that point, and I am supported in that belief by

Mr. D. M. Dalal, C.I.E., a member appointed by the Government of India on the Babington Smith Currency Committee and now a member of the Council of the Secretary of State for India, and by the Secretary of State himself. I will quote Mr. Dalal first from his Minute of Dissent. Paragraph 10 runs as follows: "These new currency arrangements must, if continued, have disastrous consequences to India and to the people of India. They must seriously disturb the relations existing between creditor and debtor. They will cause dislocation and a setback to several Indian industries and vast continuous losses on the exports of Indian produce. There is a danger of India's balance of trade turning against her and so checking her prosperity. And it should be remembered that between 100 and 200 millions of people live on the brink of starvation and a great permanent change in the rate of exchange must ultimately bring intense distress to millions of the helpless masses."

17291. The Secretary of State is no less emphatic. In 1919 the Right Hon'ble Mr. E. S. Montagu in a speech delivered in the House of Commons spoke as follows: "Hitherto by a fiscal system imposed from this country suited to us but not suited to or welcomed by India, we have refrained from spending the revenues of India in the development of native industries and technical education. We have left untapped and undeveloped the resources of India which ought to be developed at the earliest possible moment. We have heard this afternoon that £24 millions of this budget is for railway expansion in India. Practically all the railway plant ought to be and could be produced in India itself."

17292. In the same speech he stated that 6 millions of people died in 1918 from influenza alone owing to low vitality, brought on by insufficient food, and the last census shows the terrible death-rate of India which must have gone on for the last decade since the rise in population is just 1 per cent. during the last ten years, which compared very unfavourably with the previous two decades. You have only to glance at the terrible rise which has taken place in food-grains during the pre-war period and since. Let me give you here the retail food grain prices for India and gold prices (Sauerbeck) London during the following years taking 1873 as 100:—

	Indian Prices.	London Prices.
1873	100	111
1894	114	63
1913	199	85
1914	222	85
1915	218	108
1916	201	136
1917	202	175
1918	270	192
1919	398	206
1920	358	251
1921	*410 (Novr.)	136 (Novr.)

Taking English gold prices at 100 in 1913 prices in London fell to 183 in June 1921. I will leave this subject here for the present.

17293. Let me give you the figures of cloth and yarn of the Indian Mills for the year 1920. I have taken the figures from the last Millowners' Report. The quantity of yarn produced in the whole of India comes to 63·57 crore lbs.; 34·27 crore lbs. were consumed in the production of 38·38 crore lbs. of cloth. About 15·16 crore lbs. were exported to foreign countries, and the balance of 14·12 crore lbs. must have been used by the hand-loom weavers. In the year 1919-20 we imported foreign cloth valued at 54·72 crore rupees and yarn 4·36 crore of rupees. The imported yarn which came to only 15 million lbs. against 38 million lbs. in the preceding year and 44 million lbs. in the pre-war year must have been utilised by the hand-loom weavers. The shortage of cloth and its consequent dearness in spite of the larger output of the Indian Mills will be noticed from the following figures. In 1913-14 we had 4,210 million machine-made yards available for the people of India. In 1919-20 machine-made cloth available for the Indian people including imports fell to 2,435 million yards. This shows that there is considerable room for expansion in the spinning and weaving industries of India, and this expansion is bound to take place in the near future provided Government does its duty by the country in the direction of providing roads, light and water in the neighbourhood of Bombay where a large manufacturing Town ought to arise with all the necessary conveniences and comforts for the working people, but which are now wanting in Bombay owing to the neglect of the Bombay Corporation which stolidly refused to modify its building bye-laws until 1919 although advised by the Municipal executive to do so in 1901.

17294. I am in favour of raising taxation by tariffs. We have now an import duty of 11½ per cent. on all cotton piece goods; we have 3½ per cent. excise duty on Indian machine-made cloth. Both these taxes are paid by the consumer. If Government wanted more money, I would raise the import duty to 14 per cent. and excise duty to 6 per cent. The advantage of this would be indirect taxation on the consumers, and a help to the hand-loom industry. The consumers of imported goods are comparatively well to do people. You can tax them. The consumers of local made goods are comparatively poor; so I would tax them less and at the same time indirectly protect home industries. The consumers of the hand-made cloth are the poorest of the poor, and I would protect them against all machine-made cloth. For that reason all yarns should be duty free as heretofore. I am of opinion that with moderate tariffs India is quite in a position to supply cotton goods to the extent of 80 per cent. When you levy duties all round, you tax the consumer and at the same time protect home industries. Protection to my mind is not intended to draw sunbeams from cucumbers, but to develop industries for which a country is well adapted. I would therefore pay particular attention to the following industries; cotton, sugar, paper, oil, iron and leather. I would also foster all factories for turning out everything in connection with railways. Millions of pounds are now sent abroad which a patriotic and swadeshi Government would have saved years ago. The other day India raised a loan of 7½ millions at 7 per cent. in the London Market. The lenders made it a condition that the money should be spent in England, I do not blame them for it. They are bound to look after their own interest; why then should we neglect ours? England is rich and prosperous, not because she has free trade, but India which contains one-fifth of the human race is compelled to trade on England's terms. Think of the advantage which England possesses and which will soon pass out of her hands of being the shop-keeper of 32 millions of people. She has naturally taken alarm at the import duties on cotton goods and she knows well that as Japan turned her out of her markets, we are in a greatly superior position to do the same to her.

17295. Tariffs ought to be levied intelligently. Any fool can be a free trade. A small duty of say 15 per cent. on cotton goods would give an impetus to the local industry, because we are well laid out for it. A 30 per cent. import duty on sugar would not help us much, because we have not got the raw material, and what we have is not economically produced. In the same way if you have an import duty of 50 per cent. on imported machinery, we will achieve nothing beyond making the article dear to us, because we have neither the knowledge nor are we well laid out for it.

17296. India is a poor country, and as I have said elsewhere I am not in favour of high tariffs which a rich country like America can indulge in with impunity. America is a highly protectionist country. She was not only content with protecting her cotton manufactures but compelled her people to make cotton machinery by levying heavy import duties from 50 to 80 per cent. with the result that she is quite independent of Lancashire. I am at present not anxious about all industries but only about fostering those which are already in existence. It is said that if you have import duties you will be protecting capitalists and penalising the consumers. I do not see much force in this, since democratic countries like France and America, Canada and Australia would not hear of such an arrangement. Capital always will claim a return. If it does not get a return, it will withdraw. If it does get a return, and if the return is a handsome one, more capital will be attracted towards that industry with the result that larger production will lower prices. Indian mills have been making large profits during the war period and heavy orders for more machinery have been sent to Lancashire even at very high rates. This is bound to lower the price of cloth and yarn owing to extra

production. It is quite possible for foreign firms to establish themselves in India, in case of protective tariffs. I would not object to that. English machinists have established themselves in America, but India should have the same right for buying up their properties on the same terms as those on which the Colonies of South Africa are compelling Indians to part with theirs.

17297. With reference to question 22 regarding increase in price owing to import duties, of course, the consumer has to face that, but I have already shown that the masses of India consume very little of our imports at present. In fact the masses are likely to benefit by greater employment of labour and better wages. I see nothing but advantage from protection judiciously and slowly employed. You have only to look round the world and adopt the same policy which made Germany what she was before the war and also America and Japan. I am also in favour of a shipbuilding industry for which Bombay was so famous in years gone by.

17298. I, however, have one observation to make as regards labour. The currency policy of the Government of India by closing the mints in 1893 by putting us on a gold standard without the gold currency has victimised labour to an extraordinary extent by causing a heavy rise in food grains long before the war. Let me once again repeat the figures. Retail food grain prices with exchange at 23*d.* to the rupee is taken for 1873 at 100; with exchange at 18*d.* to the rupee in 1894 food grain prices are given in the index numbers at 114; with exchange at 16*d.* to the rupee the index number of prices rises to 222 in 1914. In 1919 the index number is 398; in 1920, 358. Since 1894 wages have risen barely 100 per cent. I shall however leave the subject here at present. I do not anticipate any hardship to the poor wage-earner by import duties since I have already said above that he is affected to a very small extent by consumption of imports, whilst with the expansion of industry his labour will be in better request. But I am afraid labour in India will always be at a disadvantage, and capital is bound to exploit labour in the future as it has done in the past. The labourer is to begin with illiterate; but if that is removed in course of years I still believe that labour in India will be without dignity and without adequate emoluments owing to over-population.

17299. I anticipate no ill effect on the commercial position and prospects of the country through protection. In my opinion a moderate tariff not exceeding 25 per cent. at best will be of immense advantage. I do not think that tariffs will help us to bargain with other countries, since we are producers of raw material which as a rule is never taxed by our rivals.

17300. With reference to question No. 30 the proper function of export duties is to raise a revenue, and you can safely put an export duty on all articles which are monopolies more or less. Jute is absolutely an Indian monopoly; tea is also a monopoly to a very large extent, 90 per cent. of the tea consumed in Great Britain is Indian or Ceylon tea. Rice too could be treated moderately in the same way, but I have strong objection to an export duty on hide and skin and my objection is all the greater because you are favouring Indian tanneries and the tanneries of the Empire at the expense of the ryot who sells the skin. The best way of protecting Indian tanneries is to levy an import duty on all leather goods. If that will not help them, give them a bounty and England and her Colonies ought to do the same. If England wants one of her key industries to be protected, she should pay for it, not make the starving ryot pay as she does now.

17301. As regards preference, I would be in favour of it if India got any advantage, but so far as I can see there is no advantage. Take for instance cotton goods. We are levying a duty on all foreign imports at the rate of 11 per cent. If we resolve to levy a duty of 20 per cent. on all goods not coming from England or her Colonies, we would make such imports so much dearer to the consumer. The economic condition and the cost of production are not the same say in England and Japan. If Japan is producing goods at a cheaper rate, why penalise her or rather the consumer of her goods in India. English labour is a pampered labour and it has been pampered with impunity because we pay for it. It is her consumer who pays for her labour and everything else. If English labour is exacting a heavier price than Japan for its services from its employers or capitalists, it is the consumer of her goods who ultimately pays for it. Her cotton manufactures are exported to foreign countries to the extent of 80 per cent. It is the consumer who pays for England's pampered labour; and the pampered labour is doing no good to England for the simple reason that those who have jobs get more than their due and those that have none starve. I, therefore, see no good in Imperial preference. Import duties and Imperial preference are all taxes on the consumer. Generally speaking I am not in favour of export duties although I have no objection to jute, tea and rice.

17302. Question 53 speaks of depressed exchanges. I am a believer in low exchange. I have quoted Mr. D. M. Dalal's Minute of Dissent. I entirely agree with him. High exchange is the panacea of all who deal in foreign goods, whether they be Europeans or Indians. They have all sought it and sought it most selfishly, and they have taken advantage of India's ignorance and helplessness. They would have ruined India permanently, if nature had not come to our assistance and prevented our wholesale exploitation which they sought under the guise of fixity, which the last Currency Committee in their report, paragraph 34, said was a convenience, not a necessity, India in its opinion like other silver using countries did flourish and can flourish with a fluctuating exchange. As to the advantages of a low exchange, you will find a quotation by me in a letter on "Inflation of Prices", which appeared in the *Times of India*, 1st September 1921, copy of which I send herewith. I have quoted in that letter amongst other things, the evidence of the late Mr. S. A. Ralley of the famous house of Ralli Brothers before the Fowler Committee in 1898. "Low Exchange encourages production and stimulates the export trade because it enables the producer to get a better price for his produce. It enables India to compete with other countries which are at a higher stage of development. High exchange is practically a tax on industry and checks the extension of cultivation. High exchange together with high rate of discount tends to destroy a favourable balance of trade and to make it difficult for India to pay her foreign debt. If the currency policy of the Government is maintained, a very severe crisis will ensue. Witness is in favour of the reopening of the mints by a gradual process and is confident that that policy will eventually be adopted. Witness is not opposed to a gold standard for India if it were practicable and if the rupee were rated sufficiently low, but a gold currency is not suitable for India and a gold standard would break down."

I endorse the above to the very letter. In conclusion, I will permit myself to say this that the present economic need of India is a sound currency. Let us go back to the 16*d.* Gold Standard in which I see no advantage beyond the convenience of fixity with a gold currency. If England will not allow this and if we are only allowed a gold standard with paper currency notes and metallic rupee notes, in short all token currencies, then I would reject it and go back to honest silver currency and an open mint and put up with the inconveniences of a fluctuating exchange. The people of India would like a gold currency and they had shown great preference for it. In a blue book published by the Government of India in 1913, on page 167 you will find the following paragraph: "The latest estimate (1911-12) of the total number of rupees in circulation being 180 crores while gold and currency notes may be put at 60 crores each, the figures indicate that during the year, the growth of the circulation of silver did not keep pace with the growth of circulation of gold and currency notes."

This shows the preference of the people for a gold currency and also bears out the opinion expressed by Sir James Begbie in his Minute of Dissent from the findings of the Chamberlain Currency Committee that the people of India took to gold currency and it was wrong to flood India with silver token currency. The wrong inflicted on India by our currency quacks has resulted in death and disease. Since the closing of the mints our population is dying faster than ever and the last census only showed a rise in 10 years of 1·2 per cent., the lowest on record owing to a tremendous rise in food grain prices. Starvation and disease are keeping our population in check, a very inhuman way of giving effect to Malthus' doctrine of putting a check on population.

17303. I beg to offer myself for verbal examination if the Committee desires it.

17304. To the Editor of the "Times of India."

Sir,—In the press of the 26th of August I have seen a telegram from the Associated Press, Delhi, which runs as follows: "The prices of food stuffs are rising and severe famine conditions are threatened unless relief measures are forthcoming. The clerical and menial staff of the Government and private firms are memorialising for relief."

The question of prices of commodities and their rise and fall is always a difficult question, since so many factors are to be considered, but to my mind the most potent factor has been the flooding of the country with token currency. I had been able to show that long before the war our food grain prices began to rise. The index number for 1873 was 100. In 1894 it rose to 114, not a very great change, but after the closing of the mints it began to rise. In 1910 it was 168; in 1911, 161; in 1912, 189; in 1913, 199; in 1914, 222; in 1918, 270, and it is said officially that the general average price during the first half of 1919 shows an increase in the prices of food grains which advanced by 110 per cent. as compared with 1913, the pre-war year; but you will have noticed that in the year 1894 the index number stood at 114 and in 1913 the index number went up to 199, and that was before the war. Professor C. F. Bastable, M.A., Queen's College, Galway, in his article on money, says "There is, however, a peculiar feature in the case of money which arises from its position as the medium of exchange, *viz.*, that money is so to say in a constant state of supply and demand since its principal service is to act as the means of purchasing commodities. From this it follows that the factors which determine the value of money within a given time are the amount of money in circulation and the amount of goods to be sold." That has exactly happened in India. We have increased the quantity of money in circulation which is very easy to do with token coinage and we have thus appreciated commodities which has been done artificially. You may say that England, France, Italy and Germany have all got paper currency and they have all depreciated the purchasing power of their currency. They did it during the war and out of sheer helplessness. We depreciated our currency in times of peace, and through mere ignorance and cussedness. Before I give you the index numbers of the belligerent countries I should like to draw your attention to the increase in the Indian currency during different periods. You may make what allowance you like for increase of population and of commerce and industry.

Figures are as follows:—

	1894	1912	1914	1921
Population . . .				
Millions . . .	294	315	318	330
Rupees in Circulation .	120	240	272	260 crores.
Notes in Circulation .	30	61	66	175 crores.
Food Grain Prices .	114	189	222	270 in 1918

and during the half of 1919 hundred and ten per cent. more than 1913, the index number for which was 199. Token rupees in circulation are variously estimated. Mr. D. M. Dalal, in his minutes of dissent, gives the figure at 400 crores. Mr. K. T. Shah, B.A., B.Sc., in his book called "Sixty years of Indian Finance," gives the token rupees at 300 crores. My figure is 260 crores and I have got it from an English official friend who is an I.C.S. To be brief, in 1894 our currency, note and coin was 150 crores: in 1912, 301 crores; in 1914, 338 crores; in 1921, 435 crores. Unless you can show that our commodities have increased in the like proportion to the increased volume of currency it is natural that we should have high prices. The same thing has happened in England, but that was owing to war conditions. I am quoting from the *Statist*, dated 29th January, 1921. The Right Honourable R. McKenna, speaking at the annual meeting of the London Joint City and Midland Bank, Ltd., amongst other things, said: "Inflation is always associated with rising prices and deflation with falling prices." Further he said "but it must never be left out of sight that the inflation which I will call speculative inflation is necessarily only temporary, whereas the inflation which to distinguish it in its causes from

17303. I beg to offer myself for verbal examination regarded as more or less permanent. The total amount raised for war was about £5,800,000,000, part lent by the public and part by the Banks. In my address to you last year I endeavoured to shew that in the chain of events this borrowing was the primary cause of the great inflation which took place. As the loans remained outstanding after the commodities bought had been consumed we reached a true condition of inflation and immense increase of purchasing power relative to the amount of commodities available for purchase. The Government was forced to have recourse to the Banks and the loans were followed by a rise in prices, the issue of more and more currency and all the accompaniments of inflation. If we increase the commodities available for purchase without any increase of purchasing power, we shall deflate and prices will fall. This is the kind of deflation at which we ought to aim—deflation which will be brought about by a larger supply of the commodities we all need, a greater surplus for foreign export and a larger total of real wealth."

You will thus see how inflation is brought about. Our currency policy is responsible for inflation in India before the war, and the great inflation which took place during the war. Our Government followed a policy which instead of stimulating our exports as recommended by the Rt. Hon. R. McKenna as quoted above fixed the exchange so high as 2sh. gold which brought about unnatural conditions and great disaster; and all this in the sacred name of fixity which the last Currency Committee pronounced it to be merely a convenience. In your issue of the 23rd August, 1921, in your financial columns you give the currency note circulation at 175 crores. You give a reserve of silver coin at 70 crores, and silver bullion at 4·20 crores, gold coin and bullion at 24 crores. You also give securities 66 crores held in India and about 8 crores held in England. You give the percentage of metallic reserve to circulation at 56·84 which is no doubt a high figure; but your reserves whether of coin, bullion or securities in silver are all extremely puzzling, as far as I am able to judge. It seems to me that against your note circulation of 175 crores, you are holding silver coins, etc., which are all metallic notes. Against one token currency, you are holding another token currency, and yet I sometimes see that this is looked upon as sound currency. In the *Statist* of 16th July, 1921, the English currency is given as follows: "The total is recorded at £323,498,024 or £42,110,645 below the high record of December 22. In striking contrast to the movement in currency notes the latest Bank statement records a decline of £1,153,000 in its note issue, leaving the present total at £127,955,000. This combined with a slight addition to the coin and bullion holdings, increases the reserve by £1,157,000 to £18,867,000 and the reserve ratio rose from 11·9 per cent. to 12·2 per cent." The Bank of England evidently is not adding its token coins of crowns and half crowns to its reserve as we are doing. I will now give you from the *Statist* of the same date movement of prices in belligerent countries.

Expressed as a percentage of 1913.

	United Kingdom.	United States.	Canada.	Japan.	France.	Italy.
1913 . .	100	100	100	100	100	100
1914 . .	100	96	100	95	102	95
1915 . .	127	107	109	96	139	132
1916 . .	160	128	134	117	187	201
1917 . .	205	170	174	148	261	299
1918 . .	225	203	205	195	339	409
1919 . .	242	202	216	239	355	365
1920 . .	295	197	216	251	509	624
1921 . .						
January . .	230	134	207	201	406	642
February . .	215	128	199	185	375	613
March . .	208	123	194	191	359	603
April . .	199	117	187	189	347	583
May . .	190	115	183	190	329	546
June . .	183	..	..	..	..	769

The above figures give you international wholesale prices. America practically has recovered owing to her sound currency policy and the purchasing power of her dollar to-day is about the same as it was in 1913. If we had a sound currency, the purchasing power of the rupee to-day would have recovered as quickly as the dollar, unfortunately ours is a token currency which consists partially of currency notes and metallic notes, both in super abundance; and when you have token currency you can never keep it in control. The *Statist* of the 29th January, dis-

cussing currency problems, says: "That the restoration of the gold standard and the re-establishment of a free gold market in London must be the ultimate goal of our financial policy. The experience of the war has proved that no government at the present day can be trusted to control a paper currency in a proper manner. The sooner, then, the gold standard is restored the sooner will wild fluctuation in commodity prices and in foreign exchanges be eliminated, the sooner will trade be able to move with certainty, and the sooner will be the most potent cause of labour unrest, variations in the cost of living, be removed."

The same remark applies to the conditions prevailing in India to-day. Let us have a single standard. If you are enamoured of gold standard, which I am not since I see very little advantage in it, let us have a proper standard that is a gold standard accompanied by a gold currency, as strongly urged by Lord Meston in 1910 when he was amongst us. If England and the world cannot spare us gold enough for our currency purposes, then let us have a silver standard which served us so well and which inflicted no misery as we know to-day. Exchange fell in 1873 from 23*d*. to 13*d*. in 1894, the purchasing power of the rupee stood as firm as a rock, I would go to the silver standard at once and put an end to the miseries of people, since the gold standard as conceived and worked by our rulers has turned out a gigantic fraud. Let me give you in conclusion the advantages of a low exchange and silver currency as given by the late Mr. S. A Ralley before the Fowler Committee in 1898. "Low exchange encourages production and stimulates the export trade because it enables the producer to get a better price for his produce. It enables India to compete with other countries which are at a higher stage of development. High exchange is practically a tax on industry and checks the extension of cultivation. High exchange together wtih high rate at discount tends to destroy a favourable balance of trade and to make it difficult for India to pay her foreign debt. If the currency policy of the Government is maintained, a very severe crisis will ensue. Witness is in favour of the re-opening of the mints by a gradual process and is confident that that policy will eventually be adopted. Witness is not opposed to a gold standard for India if it were practicable and if the rupee were rated sufficiently low, but a gold currency is not suitable for India and a gold standard would break down."

I have written to you a series of letters on this subject and tried my level best from time to time to expound this subject in which I have taken for years a very keen interest. I trust that I have awakened some interest in a subject which ought to be of an absorbing nature to our public men, practically all of whom maintain a profound silence.

THE TEXTILE INDUSTRY.

Profits for 1920.

17305. Our valued correspondent, J. A. W., gives in the following article an interesting examination of the condition of the cotton manufacturing industry in Bombay, showing the immense profits made during the past year by spinning and weaving mills and the amounts paid in wages and comparing the position with that of the industry in Japan and the U. S. A.

Turning to the future, J. A. W. strongly advocates protective duties against manufactured cotton imports from Lancashire.

He finally discusses the high prices of labour and the labourer's food and finds the explanation of them in the Government's currency policy, which he severely condemns.

You were good enough to publish annual reports on the 8th of August 1918, on the 25th September 1919, and 29th September 1920. The profit for the year 1920 comes to 16·53 crores against 13·06 crores for the previous year. The spinning mills whose number of late years has become very small earned a profit of 124 per cent., and the shareholders received in dividend 55 per cent. on the original capital. The profits of the weaving mills came to 63·55 per cent. and dividends, a little over 30 per cent. This is the first time since 1895 that the spinning mills have shown a better result than the weaving mills. In 1918 the spinning mills earned a profit of 6 per cent. only; in 1919 they earned 110 per cent., in 1920 they have earned 124 per cent. Rs. 6·67 crores were distributed as dividends to the shareholders, or 33·24 per cent. on the paid-up capital, and the combined earnings of the spinning and weaving mills come to 70·5 per cent. In wages we have given 6·72 crores; in insurance we paid 28·26 lakhs; as interest on borrowed capital we have paid about 80 lakhs, and 1·70 crores have been set aside as depreciation. We have paid in wages the following sums in previous years; 3·76 crores for 1917; 4·02 crores in 1918; 5 crores in 1919; and 6·72 crores in 1920. I give below a comparative statement since 1905, showing the progress of the industry in Bombay.

Year.	Profit.	Less Commission Lakhs.	Less Depreciation Lakhs.	Spindles Lakhs.	Looms.	Wages Crores.
		Rs.	Rs.			
1905	3·47 crores.	47	65	25·30	28,000	2·21
1906	3·14 ,,	47	66·25	26·14	28,000	2·18
1907	1·85 ,,	36	67·70	26·13	32,000	2·17
1908	1·31 ,,	34	72	27·34	36,000	2·19
1909	1·21 ,,	30	74·62	28·00	39,200	2·29
1910	60 lakhs.	26	75·50	28·04	41,000	2·56
1911	52 ,,	24	77	28·90	42,500	2·56
1912	2·60 crores.	40	78·12	28·85	43,400	2·68
1913	1·22 ,,	29	79·75	29·25	45,250	2·47
1914	89 lakhs.	25	83·15	30·09	49,000	2·87
1915	1·86 crores.	32	83·37	30·00	52,000	3·00
1916	3·12 ,,	42	84·62	30·00	53,225	3·18
1917	6·74 ,,	76	85·25	29·33	57,900	3·76
1918	4·97 ,,	61·50	84·82	28·82	59,192	4·02
1919	13·06 ,,	131	86·37	29·34	60,778	5·60
1920	16·53 ,,	153	170	29·64	60,634	6·72

Profits on spinning.

17306. One need not be surprised at the large profits made by the spinning mills. I have before me the annual report of a spinning mill which on a capital of Rs. 2,50,000 has earned a net profit of Rs. 21,05,000 lakhs per annum. We have in the whole of India 253 mills with 67·63 lakhs spindles and 1·19 lakhs looms, the average number of hands employed is given at 3·11 lakhs and consumption of cotton at 19·52 lakhs bales of cotton, each bale containing 392 lbs. In Bombay the average number of hands employed is 140,208 and the quantity of cotton bales consumed is 9·57 lakhs. In 1906 Bombay consumed 11·41 lakh bales; since then we have made no progress in the extra consumption of cotton. In the whole of India, we produced 65·66 crore lbs. of yarn in 1919; in 1920 yarn produced is given at 61·73 crore lbs. or a decrease of about 6 per cent. In cloth the same story is repeated. In 1919 we produced 39·58 crores lbs. or about 168 crore yards. In 1920 we produced about 35·41 crore lbs. or 152 crore yards; or a decrease of about 10 per cent. According to the monthly report of the Department of Statistics the following figures are given. For the year ending 31st March, 1921, the total production of yarn is given at 66 crores against 63 crores for the previous year and 61·50 crores for the year 1918-19. As to cloth for the same periods the following figures are given: for the year ending 31st March 1921, 36·74 crores, the previous year 38·38 crores, and the year before 34·95 crores. Our shipments to China came to about 1,75,688 bales compared with 270,447 for the previous year. Japan has practically ceased to import our yarn since the year 1901, and since 1911 Japan has ceased to buy any yarn from Lancashire.

Looms and Spindles.

17307. Although America has fewer spindles and looms than Great Britain, she is the largest consumer of cotton in the world. Next to her is Great Britain, then Japan and after her India. The United States and Japan have made great progress and as the latter is working her machinery night and day she is able to consume a great deal more cotton than India which has a larger number of spindles than Japan. The following table would be of some interest:—

	India.		United States.		Great Britain		Japan.	
	Spdls. lakhs.	Lms. thous.	Spdls. lakhs.	Lms. lakhs.	Spdls. lakhs.	Lms. lakhs.	Spdls. lakhs.	Lms. thous.
1882	16·20	14	106	..	340	4·41	·30	5
1892	34	25	152	3·62	452	6·60	·38	5
1902	50	42·5	200	4·77	497	6·84	12·30	5
1913	66	94	305	7·09	584	7·86	21·76	20·6
1920	67	119	349	7·08	600	7·98	33·88	42·4
	Cotton consumed in bales of 500 lbs.							
	lakhs.		lakhs.		lakhs.		lakhs.	
1920	16·46		67·61		37		18·25	

I have taken the above figures from a compilation by Messrs. H. F. Bachman & Co., 61, Broadway, New York City. But as regards Japan the latest figures as per the issue of *The Times of India* of the 26th August last are as follows:—Looms in 1914 are 23,442. At the end of last year the looms are given at 50,583; the consumption during 1920 was 19·55 lakh bales consisting of 12·07 lakh bales of Indian cotton, 6·20 lakh bales of American cotton, and 35,000 bales of Korean cotton.

Indian and Japanese Progress.

17308. You can thus see how Japan has progressed within the last few years under the fostering influence of protection. India was never given this opportunity until now and hence we have lagged behind, in spite of all the natural advantages of cotton and markets we enjoy on the spot. Mr. B. J. Padshah under the patronage of the late Mr. J. N. Tata brought out a pamphlet in which the annual accounts of 58 mills in the Bombay Presidency were examined for a period of 10 years ending with 1899 and he says that the average earnings came to about 6 per cent. If you eliminate the Nagpur Mills it will come to 5 per cent. and if you debit the whole commission earned by the agents, the average earnings would be reduced to 4 per cent. The average earnings of the mills between 1905 and 1915 came to about 12 per cent out of which 6 per cent. was given in dividends. The profits for the year 1919 and 1920 are abnormally large owing to war conditions which have not yet disappeared and which may still continue in modified form for a year or two more. Henceforth I anticipate a steady decline in our profits and the results of 1920 are not likely to be repeated. Cotton has also taken an upward turn within the last few weeks, and stands to-day at Rs. 520 for Broach against Rs. 295 in the pre-war year. All the coton producing countries have gone in for a smaller acreage and the American cotton crop owing to bad weather will be one of the smallest on record. The American cotton crop for the year 1919-20 was reckoned at 1·15 crore bales; this year's crop is reckoned at about 75 lakh bales. For the year 1919-20 the world's production of cotton was estimated at 1·98 crore bales of 500 lbs. each, and for the same year, the consumption is given at 1·88 crore bales of 500 lbs. each. The same authority gives all the spindles of the world at 15·13 crores.

Profits and Prices.

Below is a comparative statement of local prices of yarn and cloth:—

	Yarn No. 10s.	No. 20s.		Long cloth
September 1914 .	Annas. 6¾	7 1/16	10·3	annas per lb
1915 . .	,, 5 3/16	6¼	10·3	,,
1916 . .	,, 5 7/16	8⅛	13·6	,,
1917 . .	,, 10½	15	20	,,
1918 . .	,, 20	27	40	,,
1919 . .	,, 18	23	30	,,
1920 . .	,, 16	23	29	,,
August . 1921 . .	,, 14	18	26	,,

Lancashire piece-goods for the same years; 1,500 Leipmann's white shirtings is quoted as follows:—

	1914. Rs.	1915. Rs.	1916. Rs.	1917. Rs.	1918. Rs.	1919. Rs.	1920. Rs.	1921. Rs.
Per piece .	10½	10½	13⅜	19½	35½	26½	33½	28

17309. The following are the quotations for shares for September in different years:—

	1915. Rs.	1916. Rs.	1917. Rs.	1918. Rs.	1919. Rs.	1920. Rs.	1921. Rs.
Century . .	170	365	355	432½	567½	1,060	1,175
Fazulbhoy .	385	785	867½	817½	972½	1,810	1,720
Currimbhoy .	185	420	370	382½	510	1,250	2,845
Crescent . .	90	220	252	265	280	670	78
Swadeshi . .	1,395	1,925	1,850	2,350	2,760	5,150	5,310
Madavaji Dharamsi	1,102½	1,605	2,610	2,220	3,042½	4,100	3,300
Phœnix . .	160	245	235	450	615	1,040	1,320
Kohinoor . .	600	785	875	1,470	1,835	3,645	3,705
David . .	542½	400	530	570	865	1,715	1,782

The above quotations for shares speak for themselves and no doubt the high prices are a reflex of high profits and large dividends. Cloth and yarn have not moved up in sympathy with the great rise in cotton yarn may have moved 1½ anna per lb., but cloth has not responded at all. An Indian gentleman of great ability and connected with one of the biggest importing English firms in Bombay told me that Lancashire cloth of a better quality is being offered in the market at Re. 1-8 per lb. or lower than Bombay mill cloth which is selling at Re. 1-11 as per lb. A piece of 8 lbs shirting is offered at Rs. 12 per piece or 15 shillings per piece, f. o. b. The same piece during the war rose to 44sh., though before the war and in the early year of the war the price was about 6s. per piece.

Boycott and Swadeshi-ism.

17310. Of course the present high exchange, he said, was helping Lancashire, and he was in hope of a still higher exchange which will still further help Lancashire. He said that 11 per cent. import duty unjustly levied on Lancashire goods has to be compensated for in some shape or another and he had every hope of our benign Government seeing to it. He also informed me that cheap as the cloth was, it was not selling owing to the boycott movement. I attach very little importance to boycott. Its effects are temporary and ephemeral, and bound to disappear in a short time. I have often found intelligent people confounding "boycott" with "Swadeshi-ism". The former is as good as cutting-off your nose to spite your enemy. The latter implies a legitimate ambition to supply one's own wants by one's own industry whenever possible. The former feeling, *viz.*, of boycott, impels you not to buy foreign articles which you need and which you are not in a position to make at all or immediately. The whole world is keen on Swadeshi-ism, and if we had been a sovereign nation like Japan, we would have gone ahead. I have often mentioned that we exported to Japan 62,000 bales of yarn in 1889. Since 1901 we have ceased to export any. She has done the same thing with Lancashire. Since 1911 she is not importing a bale of yarn from England. But she did not burn or destroy or boycott foreign goods. She simply applied import duties which she was entitled to do and she extinguished Lancashire and Bombay's trade in yarn. She has left no ill-will behind her, and Lancashire and Bombay are still her good friends as ever. Bombay yarn which was shipped first in 1877 was no more than 142 bales which increased to 62,000 bales in 1889 and disappeared altogether in 1901. All democratic countries including England's colonies are developing their industries through import duties and we too have now a modified form of fiscal freedom, thanks to the foresight of the Rt. Hon'ble Mr. Montagu who keeps telling deputation after deputation from Lancashire that he could not interfere with India's discretion to levy import duties for any purpose whatsoever. In a recent speech by His Excellency the Viceroy delivered to both the Chambers in Simla, he distinctly said that the fiscal committee was to inquire into import duties not only for the purposes of revenue but for purposes of protection. What more could Mahatma Ghandi desire? This is the only way to foster industries. I know of no other. It is natural for Lancashire to be alarmed. 40 per cent. of her cloth and 18 per cent. of her yarn are consumed by India; and she knows well that with moderate tariffs we can shut out 85 per cent. of our cotton imports. In your issue of the 2nd April last you give a quotation from the *Morning Post* about import duties. It says, "Lancashire is at last wakening up as to what is happening in India. This increase is no longer balanced by a countervailing duty on Indian manufacture, so that the increase from 7½ to 11 per cent. is pure protection nor is it mitigated by any imperial preference. To impose the duties first and propose to inquire into the question of preference afterwards is the very worst way of arranging matters The inquiry to Lancashire trade will be immediate. The Indian cotton manufacturers will have taken over their trade and the relief will come too late."

Free Trade and Poverty.

17311. The trade is ours and why should not we take it over from Lancashire who believes in free trade and why should she be afraid of what other countries are doing by the *folly* of protection? In the words of Mr. Bonar Law, free trade for India was a hypocrisy. England had no such thing as free trade. She was protecting her premier industry by compelling us to be on a free trade basis so that our progress should be as slow as possible. Free trade has been the cause of our poverty. Since 1835 we have imported into India solid treasure valued at

about 1,800 crores, yet we are starving because of free trade, and nobody knows that better than the present Secretary of State who is a free trader. In a speech delivered in 1919 in the House of Commons which was then discussing the Indian budget, the Rt. Hon'ble Mr. Montagu said, "Hitherto by a fiscal system imposed from this country suited to us but not suited to or welcomed by India, we have refrained from spending the revenues of India in the development of native industries and technical education. We have left untapped and undeveloped the resources of India which ought to be developed at the earliest possible moment. We have heard this afternoon that £24 millions of this budget is for railway expansion in India. Practically all the railway plant ought to be and could be produced in India itself." This coming from the Secretary of State is the greatest satire on England's boast that she holds India for India's benefit. For years our people have been deprived of their bread which has gone to feed the British workman in general and Lancashire workman in particular. Is it any wonder that we are starving when you take away the work worth millions of pounds from the people of India and give it to those of England, when she knows according to the Secretary of State that we are in a position to make all the railway plant if allowed to do so? One often hears that England destroyed the handloom industry of India in the times of the East India Company by heavy import duties on Indian cloth entering England. India of course in pre-British days must have clothed herself and she may have sent her surplus production abroad; but I believed it could not have been much. I cannot find any trace of cotton trade a hundred years ago; but the entire trade of India in 1834-35 was as follows:—

1834-35.		
Imports.		Exports.
Crores Rs. 6·15 including treasure	Rs. 1·89	Crores Rs. 8·10
1913-14.		
Crores Rs. 264·75	„ „	Rs. 43·44 crores. Rs. 256·12 with treasure Rs. 6 crores.

I have given also the figures for 1913-14, the pre-war period. I, however, find figures showing imports of cloth and yarn from the United Kingdom since the year 1853-54. The imports for that year are 15·99 crores out of which 4·87 crores was treasure. Exports came to 20·77 crores out of which 1·48 crores was treasure. Cotton imports were as follows:—

	crores.
1853-54	5·59
1863-64	11·47
1873-74	16·50
1883-84	24·77
1893-94	13·55
1899-1900	28·25
1905-06	39·70
1913-14	66
1919-20	59

Import Duties.

17312. You will thus see at a glance how important the cotton trade is to Lancashire, whilst Japan through protection shuts out Lancashire in yarn since 1911 and reduced her imports of cloth tremendously. On a free trade basis England has been able to check our expansion, and yet she pretends that her so-called free trade has made her prosperous and it is bound to have the same effect on us if we had her brains. It is said that import duties are a tax on the consumer. Why should not India's consumer pay this tax in common with the consumers of Japan or Germany, France or America, or England's own colonies? Import duty which makes the article dearer to the consumer gives a country the industries which she needs. Lancashire is now fishing for Imperial preference since she knows that the question of import duties is taken out of her selfish hands. If you give imperial preference to England it means that you must buy her expensive articles in preference to cheaper ones abroad. This would be a certain loss to the country. This question ought to be very carefully examined, and no burden ought to be placed on the country which she could not bear. It is said that England in return will give us preference in our exports. She buys very little from us, and what she buys she needs. If we give her imperial preference, her advantage is sure, ours very problematical. It has been said that if we shut out the world's textile trade to a very large extent, the world will buy less of our exports since our exports are paid for by our imports. The whole world is trading and exchanging goods. I should like to know if Bombay's trade is any the less with Japan who has ceased to buy our yarn, or is her trade any the less with England since she has ceased to buy Lancashire yarn and considerably reduced her import of cloth. The whole civilised world is protecting her industries, and tariffs have been most vigorously applied by different countries. May I ask whether the world's trade has diminished on that account? The answer would be an emphatic 'no.' The only difference between free trade and protection is this that the latter requires a great deal of skill in the imposition of duties, and no country understood it better than or possibly as well as Germany. *The Times of India* once said and rightly so, that any fool could be a free trader, but to be a skilful protectionist it requires brains of a very high order. I will not pursue this matter further since His Excellency the Viceroy has recently said that import duties should be levied not only for the purposes of revenue but also for protection.

Labour and grain prices.

17313. The great danger to the cotton industry is from labour troubles, and every employer of labour from Government downwards knows how persistent are the demands of labour all over India for higher wages. This demand is quite natural. It is said that war is responsible for high food grain prices but for years past I have been showing that our food-grain prices were cent. per cent. higher before the outbreak of the war compared to prices ruling in 1894, and this result we owe to flooding the country with token currency. Professor C. F. Bastable, M.A., Queen's College, Galway, in his article on money says "that the factors which determine the value of money within a given time, are the amount of money in circulation and the amount of goods to be sold." I give below a few figures which will show how far we have succeeded in inflating our currency. The figures are as follows:—

	1894.	1913.	1914.	1921.
Population Millions	294	315	318	330
Rupees in Circulation	120	240	272	260 crores.
Notes in „	30	61	66	175 crores.
Food Grain Prices	114	189	222	270 in 1918.
U. K. Gold Prices	63	85	83	155 in June.

and during the half of 1919, 110 per cent. more than 1913 prices the index number was 199. In April 1920 gold prices in London were 266 falling in December to 207. In June 1921 gold prices in London were 155. The Government of India has been fooling with our currency which is the chief cause of great discontent in the land: from the Collector to the chaprasi or the humble labourer in the field, all want higher wages, since a rupee to-day could only purchase one-third of what it used to do before 1894. It was remarked by the *Statesman* of Calcutta the other day that the Bombay Labour Bureau gives the rise in the cost of living at 82 per cent. higher than the pre-war cost, but your contemporary found the rupee worth to-day only 4 annas. When the Labour Bureau gives us the rise in prices during the war I think it might also tell us as to the rise which has taken place before the war and since the closing of the mints.

Fooling with Currncy.

17314. The Government of India is under a delusion that it has given us a currency like that of France where your monetary obligations could be discharged by payment of gold or silver. A foreign banker, Mr. H. L. Raphael, of fifty years' experience whose address was 25, Throgmorton Street, in answer to a question by the Fowler Currency Committee, said as follows:—"The Indian Government destroying a currency which had proved itself most suitable to the country for great many years—a currency which perhaps is, in itself not as good as gold—by destroying it without putting in its place anything practically took upon itself to keep the rupee up to 1*s.* 4*d.* not by natural economic laws but by the sheer strength and credit of the Government."

In answer to a further question he said, "It appears to me that the Government is practically indifferent to all considerations other than maintaining exchange at 16*d*. No doubt they could do it for the time being by squeezing the money market, it would be at the cost of the prosperity of the country. The whole scheme of the Government is in my opinion so inadmissible that it appears waste of time to pick it to piece. They say in chapter 21, "If we do what we want, we (Government of India) shall then have practically a currency similar to that of France. Can anything be more absurd? The French have practically a gold currency. The 40 millions sterling of silver at the Bank of France will lie there perhaps till doomsday, but if it were thrown in the sea, France would not be the worst for it."

17315. The rise in wages would be a serious problem when times are not so prosperous as at present. In spite of bumper rains our food-grain prices are rising whilst those of the belligerent countries are falling. This alone ought to give us food for reflection. Barring our currency muddle the industry is in a very sound position, and I look forward to a very great expansion in the neighbourhood of Bombay within a few years. Mills in future should be located outside the present municipal area, and the Government should see that they are built on well-laid out lands with roads, lights and a full supply of water. Our profits in the future will not be so large as they have been during the years 1919 and 1920, but they ought to be sufficiently large to give tempting dividends which would induce capitalists to launch out into this line. It has been recently said in the House of Commons that Lancashire mills were struggling, whilst Bombay mills were bursting with profits. Lancashire ought to remember that during the boom her mills changed hands and £5 to £8 was given for a £1 share to induce the old shareholders to part with their property. If Bombay had done the same to any extent worth the name we too would have been in the same predicament.

SUPPLEMENT TO BOMBAY, NO. 6.

The Currency Question.

17316. At the end of your questionnaire you have stated that I am at liberty to submit my views separately on any question which I may consider very important to the welfare of India. I look upon the Currency Question as far more important than the fiscal or any other question. Our financial policy since 1893, the year in which the Mints were closed I attribute to a mistaken handling of India's Currency, and to my mind it has materially affected the economic condition of the country. The blame for this mainly rests with the Indian Government and the Anglo-Indian commercial and financial communities. I also attribute the great rise in the cost of living mainly to it; and I am of opinion that our financial troubles, whether they are Municipal, Provincial, Imperial or Industrial (including Railways) and all other labour troubles lie at its door.

I am induced to put my views before you after reading the debate which recently took place in the Legislative Assembly on Sir Vithaldas Thackersey's motion regarding the appointment of a Committee to inquire into the Currency question. I think Sir Vithaldas and those who supported him were as much in pursuit of a phantom as those who opposed him.

17317. Before I come to the point I will give you a short history of our currency muddle. Soon after the Franco-German war in 1871, Germany demonetised silver and in 1873 the gold price of silver began to fall; and our Rupee fell from 21*d*. to 23*d*. The Government of India became uneasy, and a representation was made to the Home Government in 1878, when exchange had fallen to 20·79*d*. to the Rupee. The Indian Government then wished for the closure of our Mints and the fixity of our Rupee in relation to gold. The matter was referred to the Lords Commissioners of the Treasury who in a letter dated the 24th November 1879 expressed their views to the then Secretary of State for India. They wrote "the Government of India propose that the free coinage of silver shall be restricted so that the Rupee shall no longer remain as at present, simply a piece of silver of a given weight and fineness but shall in addition to these qualities bear a fixed relative value to the English sovereign. The proposal appears open to those objections to a token currency, which have long been recognised by all civilised nations, *viz.*, that instead of being automatic it must be managed by the Government and that any such management not only fails to keep a token currency at par but exposes the Government which undertakes it to very serious difficulties and temptations. It appears too that the Government of India in making the present proposal, lay themselves open to the same criticisms as are made against Governments which have depreciated their currencies. In general, the object of such Governments has been to diminish the amount they have to pay to their creditors. In the present case, the object of the Indian Government appears to be to increase the amount they have to receive from their tax-payers. If the present level of exchange be due to the depreciation of silver, the Government scheme, if it succeeds, may relieve the Indian Government and others who desire to remit money to England, but this relief will be given at the expense of the Indian tax-payer and with the effect of increasing every debt or fixed payment in India including debts due by ryots to money-lenders."

After this rebuff the Government of India kept quiet and recovered its sanity, and in a lucid moment wrote as follows to the Secretary of State in 1886: "Whilst impressing upon the Secretary of State the very serious inconveniences suffered by the financial department of the Government and by the Anglo-Indian Official Community owing to the fall in the gold price of the Rupee (18·25 *d*.), the Government of India freely admitted that so far from this fall having proved injurious to the people of India, the Indian cultivator appeared to have actually gained'. The rupee, however, in relation to gold continued to fall and in 1892 it was worth only 16·73 *d*. The Government of India was again alarmed and made strong representations to the Home Government which was always averse to the closing of the Mints. It threatened bankruptcy if the Mints were not closed and insisted upon the fixity of the rupee at 18 *d*. The Home Government appointed the Herschell Committee to inquire into the matter. Memorials were made to pour in from various sources and it is on record that more than 8,000 educated Indians from all classes joined the Anglo-Indians in demanding the "great boon" of fixity of exchange and closure of the Mints at 18 *d*. to the rupee. The Herschell Committee reluctantly came to the conclusion that although it was a serious thing to interfere with a country's currency, still under the threat of bankruptcy it was constrained to recommend the closing of the Mints which it looked upon as an evil. It, however, lowered the rate from 18 *d*. as demanded by the Indian Government to 16*d*. The Mints were closed in June 1893 when exchange stood at 24⅛ *d*. In 1895 it fell to 13 *d*. Another Currency Committee known as the Fowler Committee was appointed to re-examine the question; and on the eve of the Fowler Committee, our Government in one of its lucid moments wrote, as follows to the Secretary of State in 1897: "That the true interests of India demand that any measures for attaining stability in the rate of exchange between gold and silver should be based upon a rate not greatly differing from 16 *d*. to the rupee and that any measure which would raise the rupee materially higher than that level involves great dangers for which we could see no adequate compensation". The Fowler Committee in 1895 confirmed the rupee at 16 *d*. and recommended a gold currency. Men like Sir Robert Giffin, an eminent economist, a foreign banker with 50 years' experience, Mr. H. L. Raphael, and a Merchant like Mr. S. A. Ralli strongly protested against the closing of the Mints. They urged that a gold standard was an absurdity for a poor country like India, that silver was our natural currency and that a low exchange was highly beneficial to India as regards agriculture, commerce and industry which had to compete against powerful and well-organised countries. Lord Rothschild gave it as his opinion that a gold standard was unthinkable for India without a gold currency, and Mr. Raphael said that the Indian Government was out for fixity and cared precious little what harm the people of India suffered to achieve the object which the Government had at heart. He said that the Government of India were destroying the natural currency of the people and putting nothing in its place.

I would like to quote him textually because what he predicted has happened: "The Indian Government des-

troying a currency which had proved itself most suitable to the country for great many years—a currency which perhaps is in itself not as good as gold—by destroying it without putting in its place anything practically took upon itself to keep the rupee up to 1*s.* 4*d.*, not by natural economic laws but by the sheer strength and credit of the Government." In answer to a further question he said: "It appears to me that the Government is practically indifferent to all considerations other than maintaining exchange at 16*d.* No doubt they could do it for the time being by squeezing the money market, it would be at the cost of the prosperity of the country. The whole scheme of the Government is in my opinion so inadmissible that it appears waste of time to pick it to pieces. They say in Chapter 21, "If we do what we want, we (Government of India) shall then have a currency similar to that of France. Can anything be more absurd? The French have practically a gold currency. The 40 millions sterling of silver at the Bank of France will be there perhaps till doomsday, but if it were thrown into the sea, France would not be the worse for it". As predicted by Mr. Raphael the money market was squeezed; coinage of silver was practically stopped, nay the Government of India asked permission to melt 10 crores of rupees at a time to attain the blessed fixity of 1*s.* 4*d.* Twenty years before the closing of the Mints our annual average coinage was about 7 crores, half of which it was officially reported went into circulation, the other half was either melted for ornaments or hoarded. It was reported to the Herschell Committee that the active circulation of rupees in India on the eve of the closing of the Mints was about 120 to 135 crores of rupees, and about 28 crores of currency notes. Between 1894 and 1900, our annual coinage fell to about 95 lacs per annum, after that our coinage of rupees per annum become fast and furious.

17318. Before I give you a table showing our coinage and currency notes and their effect upon prices, I would like to quote Sir David Barbour, K.C.S.I., K.C.M.G., on the influence of a token coinage on prices of commodities. His book was published in 1913 and on page 58 he says as follows: "Token coins, whether of Copper, Bronze, Nickel or Silver are maintained at their Rupee level in relation to Gold by limiting their quantity. Not more of such coins can be safely issued than are just sufficient to meet the wants of the public at the level of prices existing for the time being." The second thing to which I should like to draw the Committee's attention is the opinion of Prof. C. E. Bastable, M. A., Queen's College, Galwag. In his article on money he says as follows: "There is however, a peculiar feature in the case of money which arises from its position as the medium of exchange, that is that money is so to say in a constant state of supply and demand since its principal service is to act as the means of purchasing commodities. From this it follows that the factors which determine the value of money within a given time are the amount of money in circulation and the amount of goods to be sold". The Mints were closed in 1895 and the rupee fixed at 1*s.* 4*d.* The Fowler Committee in 1898 confirmed it and recommended a gold currency with a gold standard. In 1910 Lord Meston, then Financial Secretary to the Government of India said as follows, "We have linked India with the gold countries of the World, we have reached a gold exchange standard which we are steadily developing and improving. The next and final step is a true gold currency. I trust that will not long be delayed, for when it comes it will obliterate all the mistakes, all the inconveniences, all the artificialities of our present position". Unfortunately it never came and without a gold currency India is being ruined through inflation of prices long before the War.

17319. In 1913, the Chamberlain Currency Committee was called into existence. It made a report which Sir James Begbie, at one time Secretary and Treasurer of the late Bank of Bombay and a Member of the Chamberlain Committee, dissented. He strongly objected to the flooding of India with token currency and he did his level best to save us from this calamity but to no purpose. The fascination of buying a token coin at 10*d.* and selling it at 16*d.* to the people of India was too great to be resisted by our disinterested Government which through the medium of token currency raised prices between 1894 and 1914 just before the war by 100 per cent. War only accentuated our economic condition but the evil of high prices existed long before the War. In 1873 with open Mints and exchange at 23*d.* to the rupee, the index number of retail food grain prices in India stood at 100, in 1894 with exchange at 13*d.* to the rupee, it stood at 114; in 1914 with exchange at 16*d.* to the rupee, the index number stood at 222. It is said that prices rose throughout the world. That is true but how far and to what extent may be gathered from the index numbers of gold prices which I give below against ours. I give you a few figures which may be interesting for purposes of comparison.

Population of India.

	1881	1891	1901	1911	1921
Millions . . .	253·79	287·18	294·36	315·13	319·08

The increase of population between 1901 and 1911, is given at 7·1 per cent. as compared with 2·5 and 13·2 per cent. in the two preceding periods. We must remember the terrible famines of 1897 and 1899, but even then the population showed an increase of 2·5 per cent. but the census of 1921 shows a rise of only a decimal over 1 per cent., yet during the last decade we have had no such terrible famines as of 1897 and 1899. Such have been the blessings of fixity, of exchange high prices of commodities with the inevitable results of starvation, disease, and death.

	Food Grain retail prices in India.		Statist England.	Rupees in circulation.	Currency notes in circulation.
1873	100		111	...	...
1894	114		63	120 crores	28 crores
1900	192	famine	75	130 ,,	22 ,,
1904	117		70	144 ,,	28 ,,
1910	168		78	186 ,,	40 ,,
1911	161		80	184 ,,	40 ,,
1912	189		85	182 ,,	44 ,,
1913	199		85	191 ,,	47 ,,
1914	222		85	187 ,,	50 ,,
1915	218		108	204 ,,	44 ,,
1916	201		138	212 ,,	53 ,,
1917	202		175	227 ,,	67 ,,
1918	270		192	219 ,,	84 ,,
1919	389		206	228 ,,	124 ,,
1920	358		251	260 ,,	154 ,,
1921	410	November	136 Novr. 133 Decr.	262 ,,	172 ,,

17320. The Indian Government after closing the Mints in 1893 commenced to coin rupees furiously and about 17 crores were coined in 1901 and the highest coinage was in 1919 when India coined 51·50 crores of rupees. You will see from the above figures what effect the volume of currency had on prices. Between 1894 and 1914 food grain prices in India rose from 114 to 222, English prices rose from 63 to 85. This rise in India handicaps our labour against English labour where the rise was much smaller and if you handicap Indian labour artificially, you also handicap Indian industries which have got to compete against highly organised British, American and other Western Industries. But this handicap took place in peace times; but look at our present labour and industrial position which is still worse. English prices have fallen from 251 in 1920 to 133 in 1921. Contrast these figures with those of India which rose from 358 in 1920 to 410 today. The American figures are still more favourable, as per *The Statist* of the 14th January 1922. Taking 100 for 1913 for England and the United States the following figures are interesting:

	United Kingdom.	United States.
1913	109	100
1914	100	96
1915	127	107
1916	160	128
1917	205	170
1918	242	202
1920	295	197
1921	160 November.	122

17321. You will thus see how this currency question is at the bottom of our well-being and how the country is being ruined in the ignorant pursuit of a fixity which the last Currency Committee in spite of all its errors, which have cost the country so dear has declared in paragraph 34 to be merely a convenience and not a necessity; and Sir Vithaldas, the Government, the Anglo-Indian and the Indian Chambers of Commerce and all other bodies are in full pursuit of this phantom which they think will lead them ultimately to an economic paradise. I am afraid they will all go somewhere else, if they have not gone there already.

17322. I cannot conceive of any Government with an atom of sense or any commercial banking or legislative body inflicting on our millions such hardships, such losses, such financial and commercial catastrophes in the name of a blessed fixity which is declared merely to be a convenience. It has upset Municipal, Provincial and Imperial budgets, it has caused losses to the working of railways owing to high cost of labour which means a tax on commerce and industry. It is leading all over the country to labour confusion and labour strikes which are bound to affect all industries. It has aggravated to a large extent political discontent amongst all classes. And all for what?

A mere convenience. The Government in its misguided pursuit of fixity lost the other day something like 35 crores of rupees in ten months time, and it was declared by the Finance Minister that India's small remaining resources are not to be frittered away any more in a pre-mature attempt at fixity, which is no doubt proper and sensible. But to my mind, fixity is a phantom. A gold standard without a gold currency was declared by Lord Rothschild to be a delusion and a snare. Our Gold Standard at 16*d.* to the Rupee was a failure and a fraud; although apparently India maintained the exchange value of the rupee at 16*d.* the figures quoted of food grain prices show great instability of the rupee after the closing of the Mints.

17323. Before the closing of the Mints the purchasing power of the rupee remained practically steady as a rock although the exchange value of the rupee fell from 23*d.* in 1873 to 13*d.* in 1894. At present what the country needs is the restoration of the purchasing power of the rupee and not the phantom pursuit of the proper ratio for fixity. Government has wisely abandoned the control of exchange whidh rises and falls now in order to bring about an anjustment between exports and imports. If imports preponderate, exchange will ultimately regulate them by going down and *vice versa*. But to my mind the restoration of the purchasing power of the rupee is of vital interest not only to Governments but to labour and industry. It is the question before the country before which everything fails. If India goes in for protection, what is fts value if what is given on the one hand is taken away on the other? What is the value to industry of an import dutv of 20 per cent. if through the medium of exchange and currency you penalise the industry by a hundred per cent? How could labour and capital be advantageously employed in the advancement and development of industries when they are indirectly so severely handicapped? The remedy if applied immediately is a simple one. It was predicted so far back as 1898 by the late Mr. S. A. Ralli, *viz.* the opening of the Mints to silver. It may be said that as the exchange is no longer controlled it has practically the same effect as opening of the mints. I do not think so. Our currency is inflated and so are prices. With an open mint superfluous rupees which are not required for currency will go into the melting pot. The rupee will become automatic and it will have a sobering influence on prices. No body to-day will put rupees 100 into the melting pot to get Rs. 90 in the open market. I consider this question of so much importance to labour and industry that I have ventured to place my views before the Committee. It is for the Committee to consider whether it has an important bearing on questions to consider which it is brought into existence.

JAMSETJI ARDASEER WADIA.

BOMBAY;

14th February 1922.

Oral evidence, Bombay, dated the 21st February 1921.

The President—

17324. *Q.* Mr. Wadia, you are interested in the textile industry?

A. Yes, Sir.

17325. *Q.* In your statement you say: "I am also of opinion that there is no large civilised country to-daywhich is purely free trade like India. I also most emphatically deny the right of England to consider herself a free trade country before the last war or since." On what grounds do you base that statement?

A. She has compelled us to trade with her on her fiscal system. She has insisted upon our being free traders so that she could send her goods to us and we could buy her goods in large quantities. She was protecting herself indirectly. Protection does not necessarily mean always import duties. You can protect your industry in more ways than one. You can give concessions and you can give bounties. The way in which England was protecting herself was by compelling us to adopt free trade so that our progress might be as slow as possible so that she could send her manufactured goods for our consumption.

17326. *Q.* Was not India open also for the imports of other countries?

A. Yes, of course, but other countries were not so advanced as England. Even in a country like America, although she is to-day to a large extent, a manufacturing country she exports only 5 per cent. of her manufactured articles, whereas England exports something like 80 per cent.

17327. *Q.* Then, you think that England was not following a free trade policy, because she secured the Indian market under free trade conditions?

A. If we two go on trading, and if you insist on my trading on certain terms and you tie my hands, you cannot say I am free to trade as I like.

17328. *Q.* You say "Millions are in a condition of semi-starvation and millions must be going in a semi-nude state, and I believe the economic policy and the currency policy of the Government of India are responsible for this to a large extent". We are not of course concerned with the currency policy of the Government, but we are concerned with the economic policy. Will you please explain how you connect the state of India's poverty with the economic policy of the Government of India.

A. Well, you see labour has been exploited by the employers of labour. Labour has been victimised. Since 1900 the prices of food grains have been rising and they had risen long before the war. For instance, in 1894 food grain prices stood at 114 and before the war in 1914 they stood at 222. You hit the labourer very hard and you never gave him higher wages. People say that they were given a 100 per cent. rise when they ought to have been iven 200 to 300 per cent.

17329. *Q.* How is the Government responsible for that?

A. The Government is responsible for this in this way: after closing the mints and putting us on a gold standard basis they never gave us a gold currency. The result was to flood the country with a token currency which gave an impetus to food grain prices. The result was that living was made dear and a man could hardly support himself. The other day the Municipal Commissioner gave certain figures to show that he was paying his scavengers higher wages and therefore they ought to be satisfied with that payment. When I look to the payment and to the rise in prices, I see that he has given them nothing at all.

These are the figures which he gave to the Press: In 1912-13 when food grain prices were 199, he was paying his scavengers Rs. 10-8. The men were paid Rs. 12-8-0 in 1914-15 when food grain prices had risen to 218. In 1915-16 he is paying Rs. 13-8, but food grain prices were 201. In 1918-19 he pays Rs. 17, and food grain prices were 398. In 1921 he says he was paying Rs. 23, but food grain prices were 410. So that the scavenger was receiving Rs. 10-8 in 1912-13 when the food grain prices were 199, but in 1921 he was receiving Rs. 23, but food grain prices were 410. What I say is that the purchasing power of the rupee having fallen the number of rupees you gave to him was not enough to enable him to purchase enough.

17330. *Q.* You say that the purchasing power of the rupee has depreciated?

A. Of course. My contention is that it depreciated even before the war. Of course the war accentuated it, as it did all over the world. But the currency policy of the Government of India was responsible for its depreciating even before the war. I will give you another instance. With an open mint in 1873, when exchange stood at 23*d.*, food grain prices in India were 100. In 1894, when exchange stood at 13*d.* to the rupee, a fall of 10*d.* in the rupee, food grain prices were only 114. A fall in the gold value of the rupee hardly affected the food grain prices.

17331. *Q.* That is the currency policy?

A. It affects the economic policy in this way. When you owing to your currency policy reduce the purchasing power of the rupee to a third of what it was, when you pay a man Rs. 100, you practically pay him Rs. 33.

17332. *Q* That is through the currency policy?

A. Of course by that and nothing else.

17333. *Q.* If you had stated that it was only through the currency policy, I would not have asked you any question.

A. But it affects the economic condition of the working man.

17334. *Q.* But you say that this semi-starvation and semi-nudeness are due to the economic policy and the currency policy of the Government?

A. Even if the labourer gets a larger number of rupees, still he cannot get as much food as he used to buy before.

17335. *Q.* The connection is still lacking?

A. I am sorry.

17336. *Q.* I do not see the connection between the Government's policy and its effect on wages. If they employ some labourer and find they could not get labour on low wages they would have still to pay more. Your grievance is that labourers are not getting adequately higher wages?

A. Why should the employer pay one man Rs. 50 when he can get another man for Rs. 30.

17337. *Q.* Wages is a question of supply and demand, and I suggest it has no connection with the Government's policy?

A. That is another question: that is over population.

17338. *Q.* Then you say "we have heard this afternoon that £24 millions of this budget is for railway expansion in India. Practically all the railway plant ought to be and could be produced in India itself." Your view is that efforts should be made to get this supply in India?

A. Pardon me, Sir. That is the view of the Secretary of State for India, Mr. Montagu. He tells the House of Commons that the people of India are starving.

17339. *Q.* You are quoting it because you are supporting him in that view?

A. Of course I support him.

17340. *Q.* Then, you say if Government wanted more money you would raise the import duty on cotton piece goods to 14 per cent. and the excise duty to 6 per cent. You have stated that the condition of the poorer classes in India is such that they do not get enough food to eat and they have to live in a semi-nude state, I quote your own words. Don't you think that a rise in the prices of cotton piece goods which would be brought about by the increased import duty and increased excise duty, would make their position worse?

A. No. I do not think so. It would make the imported cloth dear no doubt: it would also make the Indian mill cloth dear. But people are not dependant altogether on imported cloth nor on manufactured cloth. There is the handloom industry, which according to the Government blue books employs 7½ million weavers.

17341. *Q.* These conditions remain at present. In spite of the existence of this large hand loom industry the price of cloth is regulated by the competition between imported cloth, Indian mill-made cloth and the cloth manufactured by the handloom weavers. If you raise the price of imported and mill-made cloths, you would also raise the price of handloom cloth. How do you reconcile this suggestion of yours with your attitude towards the present economic condition of India?

A. You have got to take money from the people.

17342. *Q.* I know, but there are other sources of revenue which can be tapped without creating further economic difficulties for the poorer classes. When you deplore their present condition, without enough food to eat and enough cloth to wear, it would hardly be right to raise the cost of food grains or the cost of cloth. There may be other sources of revenue?

A. Well, if there are other sources then you need not go in for the duties I suggest.

The President—

(Witness continuing the answer).

But you have got to take money from the pockets of the people.

17343. *Q.* Even to the extent of bringing further starvation?

A. You cannot help it. If you have to get money from them that is the best way. We should give an impetus to the handloom industry which deserves protection.

17344 *Q.* The effect on the consumer especially under conditions which you so graphically describe has got to be taken into account.

A. Yes, but you cannot have your cake and eat it too.

17345. *Q.* Then you admit that irrespective of the people starving or not, you would impose additional burdens upon them?

A. I am only selecting the lesser of the two evils.

17346. *Q.* The lesser of the two evils is the accentuation of starvation?

A. I don't say that, Sir.

17347. *Q.* You say that English labour is pampered and pampered with impunity, because we pay for them. It is the customer who pays for labour and everything else. Surely India is not the only large customer of England's manufactures?

A. We consume nearly 40 per cent. of their output and to that extent we pay English labour.

Mr. Narottam Morarjee:—

17348. *Q.* You say that if you had protection you could supply the wants of India with regard to cotton manufactures to the extent of 80 per cent?

A. Yes.

17349. *Q.* In how many years?

A. In about ten years time.

17350. *Q.* You say you have not made as much progress as Japan has made during the last 15 years?

A. Yes.

17351. *Q.* What is this progress of Japan due to? Is it due to skilled labour?

A. No. Not to skilled labour, but to protection. I will quote the figures given in the Review of the Trade of India for 1920-21. You will see at a glance what progress Japan has made and what we have made.

17352. *Q.* I am just comparing labour conditions. I suppose there is not much labour difficulty here?

A. I do not think there is any labour trouble. The present labour strikes are the result of economic conditions. They do not get enough money for their wants. Otherwise I do not think that we have much trouble.

17353. *Q.* But is not living cheaper in Japan than here?

A. I have no idea of it. But I do not think so. I think the prices in Japan also are inflated. On page 31 of the Review of the Trade of India by the Government of India for 1920-21 they give the following figures? In 1915 Japan consumed 9,44,000 bales, we used in that year 18·79 lakhs. Then in 1919 Japan used 12'16 lakhs bales, we used 19·33 lakhs. In 1915 Japan used 18·89 lakhs, we used 21 lakhs. In 1920 Japan used 19·55 lakhs, we used 19·52 lakhs. These figures show that we have been stationary while Japan has been developing.

Sir Maneckjee Dadhabhoy:—

17354. *Q.* What inference do you draw from this?

A. The inference is that the progress in Japan is very rapid. Protection is not intended to draw sunbeams from cucumbers, but if judiciously used would accelerate progress.

Mr. Narottam Morarjee:—

17355. *Q.* Would you advise a heavy export duty on cotton?

A. I am dead against all export duties except for those articles which are monopolies, such as jute, and even there I object to heavy duties for the simple reason that you will have to curtail production.

17356. *Q.* Would you have an export duty on foodstuffs?

A. No.

17357. *Q.* Even in times of scarcity or famine?

A. That is a Government measure and they should know what is right and they will do what is right. As a matter of economic policy never touch your exported articles.

17358. *Q.* Are we not engaging more coolies in India than they do in England and Japan?

A. I believe so.

17359. *Q.* Is it because our efficiency is much less?

A. Our stamina is less, our efficiency is less, our skill in general direction is less and managers are less.

17360. *Q.* Our managers too?

A. I think so, unless you get skillful men from abroad. I think we are deficient all round.

17361. *Q.* You mean to say that we have not got good men amongst Indians?

A. You have got good men always, but not a number of men. This industry has been in existence for 75 years and yet we have not got a good number of Indians. We have to import Lancashire men.

17362 *Q.* With regard to fine counts, do you think that India is in a position to spin fine counts?

A. I should not care to spin more than 30 counts. We want coarse yarn. I supply them and it pays me best, as a manufacturer. Lancashire can give you fine counts cheaper.

17363. *Q.* Do you recommend a heavy duty?

A. I do not recommend any heavy duty. I am dead against heavy duties. You do harm by heavy duties. The duties should be levied judiciously. A duty which may be necessary for Japan may not be necessary for India which may be differently situated.

17364. *Q.* How will the excise duty help the hand-loom weaver?

A. Because he will not be paying the 3½ per cent.

17365. *Q.* You say you would like to fix the exchange at 16*d*.

A. I do not like to fix it at all; but if you want you may fix it if you have a gold currency.

Mr. Coyajee :—

17366. *Q.* You observe that there is nothing to fear from protection judiciously and slowly employed. Does that imply that you would introduce protection gradually?

A. Yes, very gradually and when necessary. Not otherwise. Because I hold that every kind of import duty levied for protection is a tax on the consumer.

17367. *Q.* And the consumer in India is particulary poor?

A. Yes.

17368. *Q.* Now in the list of industries which you have put in, you include iron or rather steel. Now in what particular manner would you assist the steel industry in India under the present circumstances?

A. In the first place I am not very conversant with this branch of industry, but I know that iron has been manufactured in Bengal for the past 75 years. I have always seen that they have got a steady dividend of 10 per cent.

17369. *Q.* What I wish to know is, how will you assist a basic industry like iron which is the key to all other industries, by a protective duty or by bounties?

A. I would not mind giving bounties. But I would never have protective duties which would harm the consumers so much that it would harm other industries also.

17370. *Q.* Would you be in favour of increasing the duty on piecegoods in the immediate future?

A. Not necessarily at all unless you want revenue. I should not like to penalise any cousumer if I can help it.

17371. *Q.* Suppose we put an import duty on foreign piecegoods. Should we not divert the demand to articles made here and thus raise their prices also?

A. Of course that will be the case. The idea of an import duty is that imported articles should diminish.

17372. *Q.* Then I take it that your idea is that a gradual expansion of industry will not do any harm?

A. No, it would do harm. The result will be this. You put an import duty of 25 per cent. on all imported goods; the result will be that everybody will rush in and manufacture more articles than the country can consume. Our state would be worse than what it is to-day. That has been the case with Russia. Just before the war we paid an import duty of 3½ per cent. on Lancashire goods and we paid 3½ per cent. excise duty on our own goods and we paid no duty on yarn manufacture. Yet you find from the figures year in and year out that yarn was losing money and we were putting no spindles compared with the number of looms we were adding.

17373. *Q.* Your opinion is that the momentum or stimulous imparted in past years is sufficient for sometime to come for our industries?

A. Yes. More than sufficient.

17374. *Mr. T. V. Seshagiri Ayyar.*—*Q.* Will you give me instances of protection other than by means of import duties which England has been adopting?

A. Compelling you to be on a free trade basis.

17375. *Q.* That is to say England's gaining the largest market in India by not allowing her to adopt her own fiscal policy is a kind of protection for her goods?

A. Yes.

17376. *Q.* Is there any other means?

A. No.

17377. *Q.* I find that the hand-loom industry in this country is supplying cloth of practically the same quantity as the mill-made cloths.

A. In 1909 they consumed more yarn than the mills. Since then the figures,

17378. *Q.* I just want to show you a Government publication. That shows the average of textile supplied by the mills and also by the handloom industry. I find that the handloom industry gave even more cloth for the people of this country than the mill industry.

(At this stage Mr. Ayyar handed the witness a copy of Mr. Conbrough's note on the Piecegoods Trade.

A. I have given all the figures. In 1909 they did so.

17379. *Q.* I find the latest figures in the diagram there. It is shown from P to P and R. to R. P. to P. represents mill made goods and R. to R. handloom goods.

17380. *Q.* Here you have got the quantity of yarn produced during the official year 1919-20 amounting to 63·57 crores lbs. Of this amount 34·27 crores were consumed in the production of 38·38 crores lbs. of cloth. 15 crores were exported to foreign countries. The rest that is about 14 crores consumed were used by handlooms.

17381. *Q.* I believe that the quantity of Indian yarn available for the handloom industry was about 14 crores and nearly 3 crores were imported yarn?

A. Yes.

17382. *Q.* Then the handloom industry consumed a larger quantity of yarn than the mill industry?

A. No. According to your own figures, 18 crores would have been used by the handloom weavers against 34 crores used by the mills.

17383. *Q.* So, the yarn consumed by the handlooms is not an insignificant quantity?

A. Of course it is not

17384. *Q.* You are anxious that that industry should be maintained?

A. Yes. It is a struggling industry and it requires help. That is why I do not advocate the removal of the excise duty of 3½ per cent.

17385. *Q.* You don't want it to be removed? You want it to be raised to 6 per cent. for the purpose of protecting the industry?

A. If I raise the import duty I should raise the excise also.

17386. *Q.* Not as a countervailing duty against Lancashire but as a protection for the handloom industry?

A. As a protection for the handloom industry and also as a kind of revenue for Government.

17387. *Q.* If, as you say, the dividends earned by the mills after the war will not be very high, are you justified in raising the excise duty?

A. Yes for the present. Mill-owners have been under the illusion that they were paying the 3½ per cent. duty, whereas it came from the consumers. I sell a bottle of whisky on which Government is charging an extravagant duty. Who pays? Not the shopkeeper who sells but the person who buys.

17388. *Q.* Taking your view that as far as possible the consumer should not be taxed, would not the excise duty tell heavily upon the consumer?

A. Then take away the tax if money is not wanted.

17389. *Q.* You say in one place that in 1913-14 we had 4210 million yards of machine-made cloth available for the people of India and in 1920 only 2435 million yards. What do you mean by that?

A. The explanation is this. We are getting practically from Lancashire only one-third of what we were getting in 1913-14.

17390. *Q.* This year, in 1920 the available yards for the Indian people including imports fell to 2435 million yards. What I want to know is whether the production of the Indian mills had fallen off.

A. No, no. From year to year they go on increasing. In 1909 they produced 82 crores of yards, in 1920 they produced 163 crores. There is considerable increase, and it was all throughout the war period. I will give the war period figures. In 1914 we produced 116 crores yards, in 1915 we produced 113 crores, in 1916 we produced 144 crores, in 1917 we have a set back, we produced 157 crores, in 1918 we produced 161 crores and in 1919 we produced 145 crores and in 1920, 163 crores yards. These figures are taken from the Mill Owners' Assocation's Report for 1920.

17391. *Q.* One of the mill owners told me the reason for this shorter production was this, that the Government had been indenting for canvas, khaki and other lower counts goods from the mills and that after the war they did not indent upon those mills.

A. Yes that is all included here.

17392. *Q.* The best year seems to have been 1916-17.

A. Because Government wanted canvas, khaki and so on then.

17393. *Q.* Your mills were working heavily and producing large quantities in order to meet the demand?

A. I may tell you we are now working ten hours a day instead of 12 hours, that might account for some falling off.

17394. *Q.* You say in page 2 of your memorandum "I am at present not anxious about all industries but only about fostering those which are already in existence." Won't you extend Government help to other industries which are absolutely necessary in this country?

A. I would not necessarily trouble about them as you are indirectly protecting the home industry through your import duties.

17395. *Q.* Take the glass industry or the paper industry.

A. I would not protect either.

17396. *Q.* You want to develop the industry?

A. Important industries I say. What is the value in money compared with such a big industry as cotton? For instance you are levying a duty of 60 per cent. on matches which is paid by the buyer. What is the quantity of matches we import?

17397. *Q.* But where there are some struggling industries which are likely to flourish in case there is fairly good protection would you like to impose?

A. What is the use of giving heavy protection? I would rather not have. You are diverting the labour and capital of the people of India from more useful to less useful channels. If our people should get hold of small things like that I would not care.

17398. *Mr. Rhodes*—*Q.* Mr. Wadia, in discussing the question of the economic condition of the people in reply to the President you referred to the semi-starvation and semi-nudity of the people. You attributed all that to a large extent to the economic policy of the Government of India. Do you think that it is largely due to the lower standard of living on which so many of the people are content to live?

A. Our standard has been kept low owing to the high prices of food grains. That is my contention. If people have less to eat and if they have got to spend more on clothes it is natural that they must suffer. That is my contention. It is the contention of Mr. Dalal and also the Secretary of State himself. He said that the people were suffering in India because they had no industry. People die of influenza and other diseases. He said in the House of Commons that 6 million people die because of poverty.

17399. *Q.* But it has been suggested to us that one cause of this poverty is the innate desire of the people to live on the land; and owing to the joint family system to go on splitting the land until there are so many living on the land that it will not support them.

A. Under the same conditions they were thriving before. If you look at the previous census reports you will find that the increase has been greater than now. The increase of population between 1901 and 1911 is given at 7·1 per cent. as compared with 2·5 and 13·2 per cent. in the two preceeding periods. In spite of the famines of 1897 and 1899 the population showed an increase of 2·5 per cent. But the census of 1921 shows a rise of only a decimal over 1 per cent. though we have had no such terrible famines as those of 1897 and 1900. Even England which fought the bitterest war where millions died heroically fighting shows an increase of 5 per cent.

17400. *Q.* Does this gradual diminution show that the land is keeping as full a number of people as can be supported by the land itself?

A. That may be so, but there is no reason why we should accentuate such a position by making food grains dearer.

17401. *Q.* Is not the problem with which we are faced one which is quite apart from your idea of the economic policy of Government?

A. It is not India alone. England is as much affected as India. But I was reading the other day an economic review of the world by some Professor Lewis H. Harvey, an American economist. He was quoting John Stuart Mill. He said that the people of England had no right to marry and get more than two children, and he wanted to criminally prosecute them. If that could be said of England by an economist like Mill, what could one say of India, where everybody is marrying and begetting children. It is religion with the Indians to marry and have a family.

17402. *Q.* But is it not producing a large mass of people living on the border of starvation all the time?

A. Sir Henry Campbell Bannerman said that there was starvation in England and millions were living on the verge of starvation. There the number is one million, but here the number is 100 millions. There is starvation everywhere.

17403. *Q.* If he has a higher standard of living in times of scarcity a man will have something to fall back upon. But if he is already living on one meal a day, in times of scarcity he would have nothing.

A. It is so. But leaving aside the question of population and the propensity in India to marry even while young, which is considered a religious obligation, I do not see why his lot should be made harder by anything which we may do. I would not make his lot harder which I believe we have done by free trade on one side and by the currency policy, on the other.

17404. *Q.* As regards the duties on cotton cloth, I see that you recommend, if necessary for revenue, that both the import duty and the excise duty should be raised slightly in the same proportion, in order to secure the incidental advantage of protecting the handloom industry. That would still leave a protection to the Indian mills of 8 per cent?

A. I am not sure that we are manufacturing the same kinds of cloth which Lancashire is manufacturing. Mr. Chamberlain, when the duties were raised from 3½ to 11 per cent., told the Lancashire deputation that he did not think that more than 2 to 5 per cent. of the cloths came in competition with the Indian cloths.

17405. *Q.* He said 15 per cent. As regards the 8 per cent. difference, do you think that it is sufficient or more than sufficient?

A. At present I think it is sufficient. I do not want unless you want it for revenue, and then I would have an import duty as well as an excise duty.

17406. *Q.* I see that you would like to put a consumption tax of the same amount leaving the difference of 8 per cent.?

A. Yes. I will give India the advantage. India should consider herself and herself alone. We have been prevented from expanding. When the 3½ per cent. duty was levied Lancashire insisted upon it (after all the revenue derived by Government was only 11 lakhs) India was helpless. The Government of India was helpless. The Lancashire people would not give us one atom of advantage.

17407. *Q.* You say that with moderate tariffs India is quite in a position to supply cotton goods to the extent of 80 per cent. You are against raising protection. I understand your fear is that you would have an obvious boom which would bring disaster in its train and that you would rather progress steadily than by leaps and bounds.

A. Certainly, there will be swamping.

17408. *Q.* A steady protection all the time is what you advocate?

A. Yes.

17409. *Q.* You have been telling us that you are running 10 hours instead of 12 hours. There will be less depreciation and less interest incidence by running longer hours.

A. One cannot work too much just because more profit can be made.

17410. *Q.* You tell us that British labour is pampered and compare it to the Japanese labour. Where would you say the Indian labour comes in comparison with these two?

A. All that I say is this as regards preference. Why should the Indian be made to prefer the Lancashire goods where the labourer dictates his own terms. Why should I give preference to Lancashire and her pampered labour when I can get the same goods from Japan 20 per cent. cheaper?

17411. *Q.* Some people say that the over-worked labour in Japan is a menace to the Bombay mill industry.

A. I do not think so. We are putting an import duty on their goods by going in for preference.

17412. *Q.* In Bengal, for instance, we find that we can import large quantities of Japanese cloth which will compete with the Bombay mill cloth.

A. We have not got enough cloth for our own people. Where is the competition then? We are getting the full price for our cloths.

17413. *Q.* Do you think that your mill industry with the present protection will extend so much that it will probably in time be able to take up all that trade?

A. I believe that we are so favourably situated with regard to cotton that in 10 years time we can replace 80 per cent. of our imports by our manufactures.

17414. *Q.* If the standard of living rises Lancashire may well find that it has gained more than it has lost by the growth of the prosperity of India.

A. Not only that. Lancashire will be selling machinery. Japan has turned us out from her markets. The trade between India and Japan has not diminished now. You will divert the trade. You will get more machinery than piecegoods. It is better for Lancashire.

17415. *Q.* You say that Lancashire has nothing to lose by a prosperous India?

A. That ought to be the case with everybody. All our neighbours should be prosperous.

17416. *Q.* So really a prosperous India will not injure Lancashire but might help it?

A. It might injure her in piece goods, but it will help in some other way. We can be better customers.

17417. *Q.* You probably mean that you will want better piece goods?

A. We may want other classes of goods.

17418. *Q.* You may want higher qualities of piece goods?

A. Yes.

17419. *Mr. Birla*—*Q.* You think that the 8 per cent. protection which exists at present is sufficient for the cotton mills?

A. My idea is that you should have no protection at all. 8 per cent is a good advantage.

17420. *Q.* You cannot compete without it?

A. No.

17421. *Q.* Therefore you want 8 per cent?

A. I do not want 8 per cent.

17422. *Q.* Then you do not want anything at all?

A. I want no change at all. I see no reason for it. I would change when I see the necessity.

17423. *Q.* How ? You cannot change your fiscal policy every year ?

A. I think the present condition of the industry is such that for a period of 5 years you need not bother.

17424. *Q.* You think that if there is need for more revenue you would rather increase the excise duty and import duty simultaneously ?

A. If you can get it from other sources I have no objection.

17425. *Q.* Do you think that 8 per cent. protection will be as effective if the excise duty is to be 20 per cent. and the import duty 28 per cent. as it was when they were at 3½ per cent. and 11 per cent.?

A. I do not understand what you mean by "as effective." Whatever duties you put as excise and import duty the consumer pays. It is for you to consider to what extent you are going to tax the consumer.

17426. *Q.* But if the consumer has to pay a higher price, naturally he will economise.

A. He might go in for more handloom cloths.

17427. *Q.* But everybody is not accustomed to the use of Khadi. You would not like it yourself. Therefore it is necessary that we should have protection for our mills also which produce fine goods ?

A. I am not keen on producing fine goods at all, because we are doing well at the present time in coarse goods, and why should I go in for fine goods which I could get from elsewhere cheaper ? Why should I divert my capital and labour from something which is paying me well to something else which could be supplied to me by somebody else.

17428. *Q.* You do not want to be self-contained, so far as the finer qualities are concerned ?

A. I don't want to be self-contained at a heavy price.

17429. *Q.* Where then is the necessity for protection at all ?

A. The idea of protection is as I have said not to draw sunbeams from cucumbers, but to accelerate your progress on lines for which you are well laid out. I say that if you give 50 per cent. protection and levy a duty on imported machinery you won't be able to work the mills.

17430. *Q.* Why should you have protection in the one case and not have it in the other case ?

A. Because in the one case we are favourably situated. In the other case we are not well laid out for it.

17431. *Q.* How could you define industries which deserve protection ?

A. I cannot say. I know they will develop very gradually. If you put a 50 per cent. duty on Lancashire machinery you will not be able to make it for 50 years.

17432. *Q.* At the same time I find that you quote Mr. Montagu speech in the House of Commons where he says that all the railway plant and rolling stock should be manufactured in India. I want to know what is the good of manufacturing these articles unless you have protection ?

A. I am always in favour of protection to a moderate extent.

17433. *Q.* I am not talking of protection—moderate or high. But I want to know what measures you would take if you want to manufacture rolling stock and plant in India ?

A. It is for Government to consider in what way they should develop this industry. There is some manufacture at present.

17434. *Q.* I know everything is manufactured at present, but some of them are not being successfully done. Cotton is manufactured, but we are not manufacturing the finer goods. I want to know whether you would take some steps to give an impetus to this industry also ?

A. No, because I have not exhausted my development in the coarser goods, for which we are well laid out.

17435. *Q.* It does not pay at present, but under protection it should pay you.

A. It may pay the manufacturer, but I do not see any advantage. I want our capital to be used to the greatest advantage.

17436. *Q.* Do you think Japan and America have harmed themselves to any extent by adopting protection in some cases up to 50 per cent ?

A. No. But the conditions may be different.

17437. *Q.* What is the difference ?

A. Japan is a country which has no cotton. It has no market. Therefore it requires much higher protection than I do.

17438. *Q.* I do not quite understand your remarks about foreign capital. Do you think it is practicable that India should have the same right of buying their properties on the same terms as South Africa is doing in the case of Indians ? Do you think under the present constitution it is practicable for the Indians to have such rights ?

A. Not Indians. The Government of India may buy up such properties if it likes.

17439. *Q.* Would you like to establish industries in any country where you will always be under the fear that at any time your industry might be purchased by the Government of the country ?

A. You mean the foreigner who plants his industry in this country ? It is for him to consider, not for me. If he thinks that he is running a great deal of risk in planting his industry I do not want him.

17440. *Q.* Do you mean to say that you won't allow the foreigner to establish industries in this country under protection unless under such a sort of regulation that the Government should have the right to buy them up ?

A. Government has the right to buy anybody's property today. Government is a sovereign State. It has right and authority over every one of us, over the imported manufacturer as well as the indigenous manufacturer. If they want to buy up any mill they can do so.

17441. *Q.* I have never heard of it before.

A. They can do it for public purposes.

17442. *Q.* That is quite a different thing.

A. Government can purchase a property for public purposes. They might buy them up for political purposes. Suppose there were foreign manufacturers, and the Government of the day thought that it was a disadvantage to them then the best thing is for them to buy up the properties

17443. *Q.* But you won't certainly make any conditions with the foreigners when they come here ?

A. Government being the sovereign State has the right to do what it thinks best in the interests of the country.

1.444. *Q.* Then if they have the right, there is no necessity to point it out. Then your remarks do not mean anything at all.

17445. *Mr. Mant.* *Q.* I understand from your previous answers that you practically accept the main free-trade principles that it is advantageous to a country to produce the things that it is most fitted to produce and for which it has a comparative advantage ?

A. Yes certainly.

17446. *Q.* You merely advocate the acceleration of the progress ?

A. Certainly.

17447. *Q.* You would only adopt your measures of acceleration gradually as the conditions are favourable.

A. Certainly.

17448. *Q.* You state that the masses of the people are not interested in imports except to the extent of about 25 per cent. at the very outside, and you give us a list of such imports. Don't you think they are interested in other things also, for instance yarn. That, as you say, is mostly used by the handlooms.

A. I omitted it because the finer counts of yarn used by the handlooms are for cloth for the better class people. I think some of the finest dhoties are made by hand and are superior to what could be made in Lancashire. The finer yarn is required for the better class of people, whom I have omitted from consideration.

17449. *Q.* Imports also affect the masses indirectly. Take for instance certain machinery.

A. I have in fact included them in my list. I have even included sugar. I think the poorer classes use what they call gur. Sugar comes to 14 crores per year.

17450. *Q.* You have excluded imported piecegoods because you say that the imported cloth is commonly consumed by the minority.

A. Yes.

17451. *Q.* Does not the import duty that you put on cloth affect the price of the coarser cloths which are consumed by the masses ?

A. It has been said that the imported goods compete only with 15 per cent. of our goods. The competition between Lancashire and India would be to the extent of 15 per cent. Suppose you levy a duty of 25 per cent. on Lancashire goods. The consumer of the Lancashire goods would pay the duty.

17452. *Q.* My question was : Does not the import duty on these imported goods affect the price of the coarser qualities, which are produced in the Indian mills ?

A. It might.

17453. *Q.* Take the case of a recent war year. The price of imported cloth rose very high. Did not the price of locally manufactured cloth also rise ?

A. I have given figures. I see that they have all risen. Just before the war we were selling cloth at about 10½ annas. Today it is about Rs. 1-9-0. So did Lancashire. I remember buying just before the war a piece of cloth for

Rs. 10-8-0. The same I bought in 1920 for Rs. 33 and today the piece is selling at Rs. 27 Leipmann's.

17454. *Q.* If the import duty affects the cost of the coarserqualities, then it must affect the masses of the people.

A. Of course, it would. The idea of the import duty is to make things easier for the capitalists who will make more money and employ more machinery and labour and increase the output.

17455. *Q.* When you say that the masses are only interested in 25 per cent. of the imports you have omitted this very large proportion of imports.

A. 25 per cent. would be an outside figure.

17456. *Q.* But the import duty affects the cost of living.

A. All import duties affect. The idea is to benefit the local manufacturers to that extent in order that they might produce more quickly.

17457. *Q.* You give figures to show how slowly wages rise in comparison with prices. The same argument would applyin the case of a rise of wages following on a protective policy, that wages will tend to rise more slowly than prices?

A. Yes. Of course. Wages have risen much more slowly than the increase in the cost of living.

17458. *Q.* I presume that is one of the reasons why you want to have a moderate degree of protection.

A. I was not thinking of it. Suppose there is an important national industry and that it is at present flourishing. Any undue impetus to it would bring in more people, would bring in more capital, more plant and machinery, and ultimately you might overdo the thing.

17459. *Q.* That is to say, you are anxious about the producers?

A. About the country as a whole. If my profits diminish and I lose of course the country will suffer. If my industry is not doing well it is not good to the country.

17460. *Q.* You have given us a new and interesting point of view, from the producers' point of view, the danger of stimulating an industry too quickly.

A. Yes. Exactly so.

17461. *Q.* In answer to the President you explained these figures of prices that you have given in your written statement. I do not want to go into the currency question. But there are one or two points I would like to put to you. In regard to the prices you point out that from 1873 to 1894 the silver price of foodgrains remained stationary, whereas the gold prices fell. Was that not due really to scarcity of gold in Europe and the fall in the gold value of silver? To put it in other words, really silver remained stationary and gold appreciated. Owing to the demonetisation of silver in certain European countries there was a greater demand for gold. At the same time there was rather a falling off, certainly a decrease in the rate of production of gold.

17462. *Q.* There was really an appreciation of gold whereas silver remained more or less steady.

A. Yes.

17463. *Q.* Then you come to the subsequent period when our Indian rupee was linked on to gold.

A. Yes.

17464. *Q.* During that period the production of gold increased very much owing to the discovery of gold mines in South Africa.

A. Yes.

17465. *Q.* And really the value of gold fell again and prices went up all over the world.

A. Oh, yes, I say all that.

17466. *Q.* I wanted to bring out the fact that when we were put on to a gold standard, our prices in consequence rose with the fall in the value of gold. They rose with world prices.

A. No, there I believe that your statement is not correct because although there has been a rise in the world prices, the rise of the English figures is from 63 to 85 whereas we rose from 114 to 222. between 1894 and 1914.

17467. *Q.* Are these English prices merely grain prices?

A. No. *The Statist* gives prices of 46 articles.

17468. *Q.* Those are selected.

A. Yes.

17469. *Q.* What are the Indian prices?

A. Only foodgrains.

17470. *Q.* Then you are dealing with two quite different things.

A. I don't think so. We depend on food grains which are cheap. The poor people cannot afford to buy any other.

17471. *Q.* Food grain is not the only thing.

A. That is the only way we could compare.

17472. *Q.* There are general price levels to be compared.

A. These are Atkinson's figures. They are 900 and odd. They are exports and imports. My first contention is that with an open mint whatever was the gold value of the rupee, the purchasing power of the rupee remained steady. My second contention is that after the mints were closed gold prices did rise from 63 to 85 but we rose from 114 to 222 owing to unnatural conditions that you have produced.

17473. *Q.* In the year 1894, you give in your statement the Indian price as 114 and in the year 1920 the Indian price as 358.

A. Yes, in November 1921 it was 410.

17474. *Q.* I have taken the last figure in your statement. That is the figure for 1920 and that shows a rise of just over three times.

A. Whatever it is.

17475. *Q.* In England the London price in 1894 was 63.

A. Yes.

17476. *Q.* In 1920 the figure rose to 251.

A. Yes, it is 123 to-day. It has been wired and it has appeared in yesterday's paper. The last figure I took from the *Statist* was 133.

17477. *Q.* The figures I have read to you show a rise of four times in the English prices.

A. Yes, but they are coming down every month. It has come down to 133 and they are coming down during the last 12 months.

17478. *Q.* I don't want to go into that as we have not got full details of later developments. I merely point out that the figures you have given in your statement show a larger rise in the London prices than in Indian prices.

A. But do you think that you will be justified in neglecting the latest figures available?

17479. *Q.* Not at all, but we have not the data.

A. I have given the figure 410 for November 1921 and the November price in England was 136 and the latest figure is 133.

Mr. Jamnadas Dwarkadas.—

17480. *Q.* I would just like to summarise your views before I proceed with my questions. I think that your view is that the free trade policy which England forced on us is mainly responsible for the present economic condition of India.

A. Of course. She did that in her own interests. Mr Bonar Law told Lord Crew in 1912 that it was hypocricy for England to say that a free trade policy was good for India.

17481. *Q.* You also believe, don't you, that the dependence of the large proportion of the population on agriculture is undesirable and that the dependence should be distributed between agriculture and industry?

A. Yes.

17482. *Q.* The policy that was adopted in the interests of England never took away the dependence from agriculture to industry, never made the population in any way dependent upon industry?

A. Yes, but the chief industry in India would always be agriculture.

17483. *Q.* The result was that in the years of scarcity or famine the staying power of the people was practically nothing.

A. The Secretary of State says so.

17484. *Q.* Quite so. The standard of comfort which Mr. Rhodes said was low is mainly due to the fact that people are hopelessly poor?

A. Yes. I would not put altogether the poverty of our people on currency or on free trade. The rise in population is also a very important factor.

17485. *Q.* I don't want to go into those arguments again but the sole dependence of the population on agriculture is mainly responsible for the poverty.

A. Yes.

17486. *Q.* You do feel, don't you, that if this country had industrially developed, the standard of comfort would have been much better, and the standard of living would have also improved?

A. Put it the other way, there would have been less poverty.

17487. *Q.* You go so far as to point out that if adequate protection were given to the cotton industry the natural advantages of the cotton industry are such that you would be able to supply 80 per cent. of India's wants?

A Certainly. If Japan without the advantage of a consuming market and without the advantage of raw materials can turn us out and turn Lancashire out despite all her skill of a century and a half, why should not we do it?

17488. *Q.* That Japan has been able to do it in spite of having no natural advantages is mainly due to protection?

A. Yes.

17489. *Q.* And you say that if adequate protection were given to us, we are in a position to supply 80 per cent. of our wants.

A. Certainly.

17490. *Q.* At present you seem to favour the present policy of 11 per cent. and 3½ per cent. excise duty on cotton manufactures. How much of your want does that enable you to supply?

A. We are progressing.

17491. *Q.* I should like to know whether you have worked out the figure.

A. It is no use working out figures. You can only gauge by the import of machinery and the import of machinery rose from Rs. 8 to 26 crores. That shows that you are expanding without the impetus of any high duty.

17492. *Q.* You yourself point out that almost half of your cotton produce goes to foreign countries.

A. Of course.

17493. *Q.* And about more than half of your cloth supplies come from abroad.

A. Not now. I think it used to.

17494. *Q.* What is the latest figure?

A. I believe we are producing Rs. 70 crores worth of cloth.

17495. *Q.* How much are we importing?

A. I think last year it was Rs. 55 crores worth of goods. The average is about Rs. 60 crores worth.

17496. *Q.* It is equivalent to how much?

A. But we are producing now a great deal more. In the last five or six years, we have made great progress.

17497. *Q.* Don't you think that if the duties were increased a little more, in the course of a few years the growth would be acceler ted?

A. But then you might say that instead of 10 or 11 per cent. it was 55 per cent.

17498. *Q.* I don't want you to mention any figure. I only want to know whether, if the duty instead of being 11 per cent. were to be 12 or 13 per cent, it would harm the interests of your country?

A. You would simply tax the consumer so much more.

17499. *Q.* You say that it would be taxing the consumer so much more. What sort of consumers are they? Those people can well afford to pay and at the same time they form a small percentage of the population.

A. Yes, but would not they be burdened? In these times I would not like to burden anybody unnecessarily. That is my point.

17500. *Q.* On one side is the burden on a fraction of the population who can afford to pay. On the other side is the prospect of being able to supply all your wants in a comparatively short period and of enriching your country and of alleviating the poverty of the people.

A. You could not do that in a day. Even if you put a 25 per cent. import duty you could not build up mills much more quickly. I think that you are progressing as quickly as can be expected.

17501. *Q.* I admit that, but would it not give an impetus to the industry?

A. I think that 100 to 150 per cent. profit is surely an impetus good enough for any industry but you might argue that if instead of this, it was more, there is no end to it. I would not be justified in burdening any part of the community unnecessarily.

17502. *Q.* You think that you would not be justified in burdening a portion of the population which can afford to bear the burden.

A. I do not know.

17503. *Q.* Even if the advantages to the whole population would be very great?

A. I would only say that the present situation of the industry is such that with a 11 per cent. import duty and 3½ per cent. excise duty, we ought to do very well, as well as you can expect. Anything more you would be only diverting more money into the pockets of the already rich manufacturers, and you might over-do a good thing.

17504. *Q.* You are confining your attention to the growth of the cotton industry. If the cotton industry which is the main stay of India at present, were to grow rapidly it would encourage the industrial growth in other directions, would it not?

A. Yes, it would but it is just like this. If you are hungry, you can take a certain quantity of food which will nourish you. If you take more, might burst, and all the time you might say that you are taking food for nourishment.

17505. *Q.* At present other industries are absolutely starving. You have not got any money for starting.

A. We have plenty of money.

17506. *Q.* If your cotton industry develops fast, don't you think that you will find any amount of money to develop other industries also?

A. We are going as fast as we can at present.

17507. *Q.* You would not object to any increase in the duty if it does not involve any sacrifice to the large portion of the population?

A. That is a theoretical way of doing it. I think that the persent advantages are such that you have got as much as you can swallow. Anything more might do you harm.

17508. *Q.* According to your own statement, Japan without any natural advantage has practically outdistanced you.

A. Yes.

17509. *Q.* India with all its advantages is nowhere compared to Japan.

A. Yes.

17510. *Q.* And yet you would be satisfied with the present rate of progress and would not think of helping the progress.

A. I have quoted figures for 1905 and I have quoted figures for 1920. Well, give us 15 years more time and we might do as well as Japan.

17511. *Q.* According to your own admission you cannot supply more than half of your wants to-day in cloth. Can one possibly think of over-production at the present moment?

A. You forget that the imported cloth which Lancashire is suppling is of a different quality and it would take a very long time before we can supply that kind.

17512. *Q.* What proportion of the Lancashire goods is used by the masses?

A. Very small.

17513. *Q.* Ought this to be taken into consideration?

A. What I say is this. You have got protection to a certain extent and you are progressing well. Your idea is that if you have more protection, it would benefit you to a greater extent. I think that it would do you more harm than good. If you take a certain quantity of food, it might do you good but if you take more, you might get ill.

17514. *Q.* Here it is only one man who takes more food. If you have more money, you feed all the industries in the country.

A. You get more money at the expense of the consumer who has got to be looked after.

17515. *Q.* According to your own admission the proportion of the consumer to the population is very small.

A. Yes, of the Lancashire goods.

17516. *Q.* He can afford to bear the burden and he is going to give the benefit of it to the whole country which you admit there will be.

A. I don't think that if you put 15 or 20 per cent. duty, the rate would be very much accelerated. You cannot build up mills in a day.

17517. *Q.* Do you mean that it would not make any difference whether it was 11 per cent. or 20 per cent. The rate of progress would be the same.

A. It might make some difference but it is not worth considering.

17518. *Q.* It would not do any harm?

A. How can it, except to the consumer?

17519. *Q.* The consumers form only a very small portion of the population?

A. A small portion no doubt but you must not neglect any small portion. I would look after every one. I would look after the interests of the country as a whole. All I would say is that no outsider like Lancashire or anybodyelse should interfere with our gradual development, that is all.

17520. *Q.* If your argument were pressed a little further. as the opponents of protection do, it would be said that if you even had this 8 per cent. protection, it would be a terrible loss to the consumer.

A. I don't think so.

17521. *Q.* After all if they follow your argument logically, they would be justified in bringing forward this argument. What would be your answer to that?

A. That 8 per cent. would put them to some loss?

17523. *Q.* My object in putting this question is that if you had more protection, you would accelerate the progress of the industry.

A. Russia had heavy protection. She did more harm than good. Too much of a good thing is not good, but bad. That is the long and short of it.

17524. *Q.* Even to reach your goal?

A. You could not do it in a day.

17525. *Q.* To supply all your wants, how many years would it take?

A. Put it 10 years.

17526. *Q.* That is your opinion ?

A. Yes. We could do it in another industry in 20 years.

17527. *Q.* Would you select those industries for which there are natural advantages and which have prospects of being developed in the country ?

A. Yes.

17528. *Q.* You would not select all industries ?

A. We are indirectly helping all industries by having a general import duty for revenue purposes.

17529. *Q.* Have you thought of any method whereby you could select the industries which require protection.

A. I have mentioned some particular industries which might be helped but by the import duty which you levy for revenue purposes they get help to that extent. Take for instance the silk industry. It is a very small and at the same time a limited industry and yet you have a very heavy import duty because silk is considered a luxury and is paying 20 per cent. import duty. The silk industry is indirectly helped thereby to that extent. You have not done it for the purpose of developing it simply because it is a small industry and its power of expansion is also limited.

17530. *Q.* In answer to some questions by Mr. Seshagiri Iyer, you said that you would not care to divert the energies of the people to small industries.

A. Yes.

17531. *Q.* You don't exclude the possibility of helping those small industries if the help can be given at a small cost to the consumer ?

A. No. I say that by having an import duty for revenue purposes, you indirectly help these industries.

17532. *Q.* Would you suggest a heavy import duty ?

A. No.

17533. *Q.* What would be your suggestion as regards the maximum duty ?

A. I have already said that 25 per cent. is the highest duty I would impose for the purpose of protecting an industry. Any industry which requires more than that is hardly worth fostering. I would not do it. I would not go near it. 25 per cent. is the outside limit.

17534. *Q.* Would you also lay down that if in the course of a few years this industry does not shew any result, the protection should be withdrawn ?

A. I would not venture to give an opinion as to what I should think then and do. You will please understand that we are protecting these industries of India through the import duty which we are levying for revenue purposes. That is the protection. Whether that protection helps those industries or not, whether they are capable of expansion or not, we do not consider.

17535. *Q.* But in addition to the import duty would you not select particular industries for special protection ?

A. Small industries ?

17536. *Q.* Small or big.

A. Big, of course.

17537. *Q.* Small industries, you would not ?

A. Hardly worth the trouble. I don't think that there would be any industry which could not be protected but it would not be worth our while to do this. Ours is a poor country and ours is industrially a young country and we cannot afford to fritter away our resources.

Sir Maneckjee Dadabhoy—

17538. *Q.* You are a millowner yourself ?

A. I am not, but I am a director of several companies.

17539. *Q.* You are a public man and you are one of the leading citizens of Nagpur or Bombay.

A. Bombay I do not know ; Nagpur, you are right.

17540. *Q.* You have been examined at some considerable length. As I am the last person to examine you I want to make your evidence perfectly clear. I would, therefore, divide your evidence as I have understood it into four stages and if I am right I should like you to tell me and if I am wrong kindly correct me. I understand from your oral evidence given to-day that in the past the fiscal and economic policy of Great Britain has been one of a selfish nature, dictated in their own interests, by importing raw materials and to send out manufactured goods. That is the first part. Am I correct ?

A. Yes, you are correct but there is one thing I may say on behalf of England that she has been so much saturated with free trade doctrines that she thought what was good for her was good for every body else. It is like a man with a full stomach who thinks that no body is hungry.

17541. *Q.* I am summarising your evidence broadly. Consequently I understand from your evidence to-day that though you are in principle a free trader.

A. I am not a free trader.

17542. *Q.* So far as protection is concerned, you are what is called a discriminating protectionist.

A. Certainly.

17543. *Q.* And you would protect such industries in India as need protection judiciously, industries which are struggling and which by a moderate import duty can be protected. Is that a right proposition ?

A. Yes.

17544. *Q.* Thirdly I understand that it is your considered opinion that the prosperity of capitalists and the preservation of Indian industries largely depend on the well-being and progress of the masses ?

A. Well both the capitalist and the working man must be taken into account. The working man is as much a capitalist as the capitalist himself. If I am a workingman I earn Rs. 30 or 40.

17545. *Q.* I am coming to that. Lastly in your opinion a maximum import duty of 14 to 15 per cent. *plus* 6 per cent. excise duty is all the protection that India wants in the matter of textiles.

A. I am not for raising this 3½ per cent. excise duty for protective purposes. If you want it for revenue, then it may be levied.

17546. *Q.* I am coming to that. That is the gist of your evidence.

A. I think that a 15 per cent. duty ought to enable us to produce 80 per cent. of our requirements.

17547. *Q.* In answer to the President I understood you to assign three reasons which in your opinion, have retarded the growth of Indian Industries, *viz.*, (1) that labour has been victimised, (2) that prices of food grains have risen to a great extent and (3) that the purchasing power of the rupee has depreciated.

A. Certainly.

17548. *Q.* As regards the first point, I should like you to give me some further information. You say that labour has been victimised.

A. Yes.

17549. *Q.* You blame Government for it. Why do you lay the blame at the door of Government when you millowners have not done anything in the past.

A. How ?

17550. *Q.* You yourself kept the labour down. You did not pay fair and adequate wages.

A. We have paid adequate wages. If I can get a man for a rupee, why should I pay more ? Although we gave them higher wages yet owing to a certain policy of yours, you have destroyed the purchasing power of the rupee and so far you have victimised labour.

17551. *Q.* I will come to the purchasing power of the rupee. Let us stick to each particular point. I am speaking now of victimising labour. Who has victimised it, the employer or the Government ?

A. First Government.

17552. *Q.* Why ?

A. Because they have given you a token currency, they have flooded the country with a token currency. The result of it was that between 1894 and 1914 before the war the prices rose by 100 per cent. Now the condition is worse. You therefore interfered with the natural currency of the country and against the better judgment of the Fowler Committee and against the better judgment of a man like Lord Meston who in 1910 said that we did serious errors in the past and that these would all be rectified by a gold currency. You have a token currency. Therefore it is the obvious policy of the Government that was responsible. Some 8,000 Indians also memorialised the Indian Government in 1892 to give them a closed mint and to give them a fixity of exchange at 18*d.* to the rupee. We are as much to blame as the Government and to-day, let me tell you, barring a few, we are as ignorant about it as we were then.

17553. *Q.* And assisted by the Bombay Millowners also ?

A. The Bombay Millowners had nothing to do with it. They went on increasing their wages and they have given 100 per cent. more, which is not, however, quite in keeping with the food grain figures. The Municipality is doing the same : the Government is doing the same.

17554. *Q.* You take us to the time of the closing of the mints and then you refer to the increase in wages by 100 per cent. during the last two years, which, as the President reminds me, was given as the result of two strikes. Before the mints were closed there were no substantial wages and that was the fault of the millowners.

A. I do not think it was their fault. No employer would give more than is necessary. Government does not give it, and the Municipality does not give it.

17555. *Q.* The millowner would not give it?

A. If I can get a man on Rs. 15, I would not give Rs. 16.

17556. *Q.* Then you say that the purchasing power of the rupee has depreciated and prices have gone up. But you will admit that this has happened all the world over.

A. I have repeatedly said that. Food prices were 100 in 1873; in 1894 they were 114 and in 1914 they were 222, and to-day they are 410. Our prices rose by a 100 per cent. after the closure of the mints, but the world prices rose only by a 22 per cent. And after the beginning of the war our prices rose from 222 to 410; English prices rose from 85 to 251, in 1920 but to-day they are 133.

17557. *Q.* So, in the case of India you would differentiate the position?

A. Very much so. In the one case they rose 22 per cent. and in the other case 100 per cent. before the war. We ought to have given 100 per cent. more wages even before the war, which we never did. Government by their currency policy caused the rupee to depreciate in value.

17558. *Q.* But that has happened in Europe. The mark is worthless; the sovereign is worthless.

A. But English prices have fallen between 1920 and to-day from 251 to 133, while our prices have gone up. So you are not correct in saying that the same thing has happened all over the world.

17559. *Q.* The comparison is not then parallel?

A. No; only to a limited extent.

17560. *Q.* Now you said in answer to my colleagues' queries that you did not want any protection for the Indian cotton industry, and you made two important statements. You said in the first instance that during the last five years we have made a great progress in the mill industry, and your second statement was that in 10 years time we shall exclude all the foreign imports or at least 80 per cent. of them. Am I right?

A. Yes.

17561. *Q.* Now, I would like to examine you a little further. You say that in five years we have made great progress in the textile industry. Has not that progress been mainly due to the war?

A. Of course.

17562. *Q.* But for the war the profits of the mill industry would not have been so large.

A. Naturally.

17563. *Q.* And you do not expect the present profits of the mill industry to be indefinitely kept on?

A. You cannot always have 100 and 200 per cent. dividends.

17564. *Q.* You think there will come a time, and that that time is not far distant, when these profits will diminish. Is not that so?

A. From 200 per cent. if you fall to 100 per cent. there will be a diminution. But won't you be satisfied with a 100 per cent. profit.

17565. *Q.* The profits will diminish?

A. Of course.

17566. *Q.* Are you certain, then that the present margin of protection or the difference between the 14 per cent. duty and the 6 per cent. excise duty which you recommend, will be sufficient safeguard for the textile industry?

A. So far as I can see, it would be ample.

17567. *Q.* Then, am I to gather from you that this prosperity has come to stay in India?

A. To a very large extent, yes. Not the 200 per cent. or a 100 per cent., but it would be large enough.

17568. *Q.* How much?

A. 25 or 30 per cent. It would be quite enough.

17569. *Q.* There will be more mills in India in a few years' time?

A. Yes.

17570. *Q.* There are several mills already projected.

A. I am sorry for them, because they have paid 300 per cent. more for their machinery.

17571. *Q.* Why I am prosecuting this enquiry further is, I have felt to-day, after listening to your valuable evidence, that in many instances you have raised inconsistent issues.

A. I am sorry: I am not conscious of it.

17572. *Q.* But let me tell you that you have made a great many inconsistent statement in your various answers.

A. Say in your opinion.

17573. *Q.* I therefore regret I have to prosecute my enquiries further. Let us come to the point which you raised. There will be many more mills in India.

A. There again you have not understood it. I am sorry that some mills gave 400 per cent. more for the machinery. Machinery has come down 220 per cent. already. I think in two years' time we will get machinery for much less and we will go swinging.

17574. *Q.* There will be more mills in India and there will be larger production. There will be greater competition between the mills themselves. With the number of spindles and looms increased there will be keener internal competition?

A. Directly our profits go down to a certain point, we stop and go a little slower.

17575. *Q.* There will be competition and the profits will diminish, and therefore I want to know whether this margin of protection will be adequate.

A. May I point out, Sir, Japan with all the protection that she enjoys had to stop her looms going recently.

17576. *Q.* Because Japan was guilty of over-production. Overproduction is a different thing. Our mills are not in a position even to produce one-third of our requirements. So our case is entirely different. Let us not confuse our case with that of Japan.

A. I do not think so. Japan is a producer of goods and she is exporting outside. Why should there be over-production? If we want goods we could buy from her. Whether you have protection or not there may be times of over-production. It does not necessarily follow that if you have protection, there will be over-production.

17577. *Q.* You are a practical man, and I want to know from you whether this amount of protection will be adequate when there has been a substantial increase in the number of mills.

A. I think it is quite ample. You must remember that our spindles have been increasing from year to year. You have only at look at the figures. Although we made more money during the war we came to a stand still because we could not get machinery.

17578. *Q.* Now coming to the excise duty, Mr. Wadia, I believe you are a recent convert to supporting the excise duty.

A. Not a bit.

17579. *Q.* You never opposed the excise duty?

A. I have always opposed it.

17580. *Q.* That is what I say. I have followed your writings in the public press for the last 20 years. You have always been opposing the excise duty. But to-day you are in favour of retaining it or even increasing it.

A. I may tell you why I opposed it then, and why I favour it now. I opposed it then because the import duty of 3½ per cent. was levied only for revenue purposes and they compelled us to levy this excise duty on our industry. Whether I had protection or not, whether that protection was 3½ per cent., 15 per cent. or 20 per cent., I did not want Lancashire to dictate to me. Now that the Government has raised the duty to 7½ per cent. and recently to 11 per cent., I see no reason why I should withdraw this revenue from Government because all import duties and excise duties are paid by the consumer. Circumstances have changed now.

17581. *Q.* I wanted to know whether you are not a recent convert.

A. Why should you call me a convert, when the conversion is on the part of the Government? Government has become a convert.

17582. *Q.* You are making a mistake.

A. Absolutely none. In those days you had only a duty of 3½ per cent. Things have changed now and the duty has gone up to 11 per cent.

17583. *Q.* You are confusing the two points. The former increase to 7½ per cent. and the recent increase to 11 per cent. are not protective increases. The duty is still a revenue duty. It has been raised for revenue purposes The Government of India has appointed this Commission to advise on the future fiscal policy, but at present we have no protective duties. The duties may have a protective effect, but they are not protective duties.

A. You might levy a 25 per cent. duty and it might give you more money and you might still say it is a revenue duty. You could say that, could you not?

17584. *Q.* You have said that you were formerly opposed to the excise duty, but you are justifying it now, because the import duty has been raised to 11 per cent. But would you justify in principle the retention of the excise duty?

A. Certainly.

17585. *Q.* When a particular article is imported into the country and pays an import duty, would it be right to put a corresponding excise duty on the home made stuff? Would it be a proper form of taxation?

A. Absolutely. If you want money, there is no harm in levying it.

17586. *Q.* I am asking you whether it is a proper form of taxation?

A. If we want to raise a certain amount of revenue from the people it is absolutely correct to tax Lancashire goods 15 per cent. and to levy an excise duty on our goods. Both will pay duty and both will give us the needed money and yet Indian industries will be protected to the amount of the difference.

17587. *Q.* I will accept it as your rule. Then, you have said, I have taken your own words "I would not protect any industry if it would hurt other industries or hurt the consumer." How, on that principle, would you justify your proposal of 6 per cent excise duty?

A. I would say "materially hurt." The Government is hurting us everyday by asking us to pay income tax because they want revenue. It is a very disagreeable process for the Government to extract the money out of our pockets.

17588. *Q.* The consumer will have to pay it.

A. Of course, we must pay the money. This excise duty of 3½ per cent. is now yielding about 2½ crores. If you remove this 3½ per cent. excise duty, this 2½ crores must be levied from the country in some other shape. I say this excise duty is a better way of raising revenue.

17589. *Q.* Would it not neutralise the protection?

A. In one case you are charging 15 per cent., and in the other case you charge only 5 per cent.

17590. *Q.* Why this dubious procedure? Why not reduce the import duty to a certain figure? You might get revenue from some other source.

A. I do not say you should not do that. But Government has elected to levy import duties. Government has elected to charge Lancashire goods 11 per cent. and Indian manufactured goods 3½ per cent., and I say it is a proper way of raising money. If they do not take this 11 per cent. from Lancashire goods and 3½ per cent. from our goods, they would take this money from something else, and ultimately that money must come out of our pocket.

17591. *Q.* What is your opinion about putting a duty on yarn? Would you put an import duty on yarn?

A. Certainly not.

17592. *Q.* Do you think that the handloom weavers come into conflict with the power looms?

A. Handloom weavers do not come into conflict with power looms: it is we who come into conflict with them. Every advantage that can be given to the handloom weaver should be given.

17593. *Q.* Would you give further protection?

A. Yes.

17594. *Q.* What would you give?

A. By making yarn imports free.

17595. *Q.* But yarn imports are already free?

A. I would not handicap him in any way.

17596. *Q.* Would you give him further protection?

A. I can give nothing else. I would not penalise him. That is what I meant.

17597. *Q.* What does the handloom weaver generally weave? Imported yarn or Indian yarn?

A. Imported yarn is worth only Rs. 4 crores.

17598. *Q.* It would not give you any substantial revenue if you tax it?

A. No. You must remember that the entire cotton mill industry is employing only 314,000 labourers, while the handloom weavers, according to the Moral and Material Progress Report for 1911-12, number about 7½ millions.

17599. *Q.* That is why you say that you would give them every possible assistance. You say that they do not come into conflict with anybody. If so, why should you protect them?

A. If you levy a duty on imported yarn, then they would be prejudiced.

Mr. Jamnadas Dwarkadas—

17600. *Q.* What about imported lower counts?

A. Lower counts are not imported.

17601. *Q.* Lower counts are coming from Japan, and the handloom weavers are said to be using only higher counts. If you levy a duty on Japanese lower counts, there would be no harm?

A. You might make yarn so much dearer. You would put the handloom weaver at a disadvantage. He is buying your yarn, and if we raise the price of imported yarn by duty you will also raise the price of locally made yarn.

Sir Maneckjee Dadabhoy—

17602. *Q.* Then you make one very important point, *viz.* that our import duties are such that they really do not affect the masses, because they do not consume the imports generally.

A. Yes.

15603. *Q.* The masses as consumers are not direcly affected by the import duties?

A. Not to any appreciable extent.

17604. *Q.* What is your limit of import duty at the outside? 25 per cent.?

A. Yes.

17605. *President—Q.* You made a statement that the present revenue duties indirectly help the establishment of industries. Now, I want you to tell me whether you have considered the question from this aspect. You know that revenue duties have been removed in the past. You may remember the textile duties. They were imposed and then removed altogether.

A. Yes.

17606. *Q.* Do you think that when the tariff is for revenue purposes only anybody would be bold enough to invest capital in industries on the strength of a revenue tariff which may be taken away any day?

A. But our Government would not do so.

17607. *Q.* They have done it in the past. A revenue tariff implies that. Revenue tariff means that the duty will be maintained only so long as it is required for revenue purposes.

A. Then you may call them protective duties.

17608. *Q.* Do you think that capital would come on the offchance of a revenue duty being maintained?

A. Now, we have a voice in the Government and the Government of India is independent of the Home Government.

11609. *Q.* You will agree that the duty, however small, should be declared protective otherwise people cannot rely upon it.

A. Yes.

17610. *Q.* Then you would modify your opinion to that extent

A. Yes.

(Witness No. 116.)

Written statement of Gulabchand Devchand.

PROTECTION.

17611. As the greatest economic need of India is diversity of occupations to mitigate the evils of poverty and famines, rapid industrialization is necessary. It is a fact universally acknowledged that the distribution of population in this country is not as it ought to be. At present India is mainly an agricultural country. She exports raw materials and imports manufactured goods from foreign countries. To relieve pressure on the soil, to stabilise her economic life by bringing about a harmonious growth of all industries, to increase national dividend and to make an *abundant life* possible in this country, industrial development is indispensable. In my opinion no price is too great to achieve this object.

17612. Recognizing the necessity of industrial development the question is how to achieve it. I believe that a well directed fiscal policy can do a good deal in this matter.

All the civilized countries in the world have used their fiscal systems for stimulating their productive powers. To me, a question of Free Trade or Protection is a question of facts, and not of abstract principles. Both Protection and

Free Trade are necessary at different stages of a country's economic development. To a purely agricultural state (without any chance of industrial development) and to a highly industrialized state, Free Trade is theoretically most suitable, and practically the best Fiscal Policy, but in the period of transition from an agricultural to an industrial stage a Protective Policy is indispensable to counter-act the effects of an earlier lead of other industrialized countries.

17613. The industrial development of India is impeded not by natural or permanent causes. Not only India is an agricultural country but, "fortunately, in addition, she contains extensive deposits of coal, iron ore, lead, zinc, copper, wolfram, and other economic minerals together with many other important natural resources, upon which valuable industries can be built up without drawing on overseas sources for supply of raw materials." In a word, she is rich in raw materials and industrial possibilities, but poor in her manufacturing equipment. She has a large labour supply, a large amount of inert and idle wealth, and a large home market. Her industrial deficiencies are mainly owing to the competition of foreign countries, who have, in the words of J. S. Mill, "only a present superiority of acquired skill and experience."

India is in an infant stage of industrial development and hence she requires protection to build up her manufactures, to develop those already established and to start new ones. To secure the acquired skill and industrial technique, scientific and judicious Protection is essential.

17614. When I advocate Protection, I mean judicious protection discriminately applied. It must be accorded to those industries for which local circumstances are favourable to permit healthy growth, *viz.*, to those industries for which there is an abundant supply of raw materials, and a secure home and foreign market.

Again it should be accorded to those industries which are most likely to stand on their own legs in course of time excepting in case of those industries which are essential for national safety, for which protection may be continued.

17615. I appreciate the force of the argument that Tariff Protection alone cannot build up manufactures unless there are other factors of production already in existence, but at the same time I believe strongly—the tariff history of other countries proves it—that a country whose industrial development is retarded by unfair foreign competition and owing to historical reasons a Protective Tariff is of very great use. I want to make it clear that when I advocate a Protective Policy, I want all its variations, namely:—tariff duties, subsidies, bounties, transport concessions, etc. Tariff duties without an active co-operation on the part of the state will not do much to achieve the object. The whole attitude of the state must be changed and be permeated with a protective spirit.

17616. India's industrial struggle is a struggle between unequals. She has to run a race with giants. She is already far behind, therefore she must be protected by a tariff wall to ward off foreign competition and then earnest and unsparing efforts should be made to build up her manufactures. The policies of Japan and Germany may well be followed to achieve the desired goal. "The necessity of securing the economic safety of the country and the inability of the people to secure it without the co-operation and stimulation of Government, impose, therefore, on Government a policy of energetic intervention in industrial affairs, and to discharge the multifarious activities, which this policy demands." (Report on the prospects of British Trade in India.)

17617. Adoption of scientific Protection will undoubtedly result in rapid industrialization and diversification of occupations. There will be an improvement in standard of life and the old economic equilibrium will be restored. There will be a harmonious growth of all industries, agricultural and manufacturing, in due proportion and the prosperity of the people will increase by leaps and bounds. With the industrial development, people will become more progressive and enterprising, political education will be stimulated by the urbanization of population with its salutary effect on the political life of the country owing to the growth of democratic ideas.

17618. It is an economic truism that the Fiscal Policy of a country is closely bound up with her system of taxation. A fiscal policy of a country may be either for revenue or protective or for both purposes. A revenue tariff performs only one function of raising revenue, while a protective tariff serves two purposes at one and the same time, namely of raising revenue and of according protection to home industries. With all the sources of indirect taxation well nigh exhausted and with no prospect in reduction of Government expenditure both for defence and civil administration and with an increased demand on revenue for the successful operation of the Reforms, the crying need of India is more money. To me, no alternative seems possible but to resort to the fiscal policy with the double object of raising revenue and protecting and promoting home industries. To achieve this result the tariff may be enhanced.

27619. An effective protective tariff undoubtedly leads to a rise in prices, which is the desired object of protection to stimulate home production. But in course of time when the home industries have fully developed on a competitive basis the level of prices will sink to the minimum possible. It is also certain that a temporary rise in the level of prices will be more than compensated by a permanent reduction in future. Further, from a national point of view, it is good economy to pay higher prices for some time to secure economic independence and to stabilize the economic life of a nation. Any apprehension of a conflict of interests between the agriculturists and the manufacturers is also groundless. It is just possible that the farmers may have to pay more for manufactured goods for some time, but they will be compensated by the enhanced prices of raw materials and foodstuffs owing to the growing demand of the increasing industrial population.

17620. I conclude, therefore, that industrial development is the greatest economic need of India. This object cannot be achieved without Protection. A scientific protective tariff discriminately and sincerely applied, will stimulate industrialization and will help the state to get more revenue. The state should take active part in the industrial development of the country. A fully developed industrial India will be happy, prosperous and contented.

Imperial Preference.

17621. I believe that the scheme of Imperial Preference for this country is economically suicidal and politically unwise. On pure economic grounds India has nothing to gain, but all to lose by such a scheme.

The real need of India is industrial development and for this object Protection is all desirable. Without any thought of India's economic conditions and the stage of her industrial development, the adoption of Free Trade has proved disastrous to her handicrafts and indigenous industries. I believe that Free Trade is not the right economic policy for this country, but I maintain that Imperial Preference is sure to be worse. Under Free Trade, resulting in foreign competition, India's industrial development was retarded but under a Preferential scheme, she will have all the disadvantages of Free Trade without any of its advantages.

17622. What India requires is protection against all the countries and especially against Great Britain. As her share of trade in India's import market was 64 per cent. in 1913-14 (61 per cent. in 1919-20), the greatest hindrance in the way of India's industrial development is Great Britain, hence a scheme of Imperial Preference—unless India is prepared to postpone her industrial development—is out of question.

17623. Under a Free Trade policy, there are some redeeming features—of buying in the cheapest and selling in the dearest market. Under a scheme of Imperial Preference, both the markets will be limited and Indian producers and consumers will have to sell and buy respectively in limited markets. I strongly believe that a scheme of Imperial Preference is a step forward in the exploitation of India's natural resources by the foreigners. At present all the countries are exploiting India's material resources and dumping their goods in the Indian markets. But under a scheme of Imperial Preference this exploitation will be monopolized by Britishers alone. Imperial Preference is a convenient political contrivance of the Imperialists to use India's trade for strengthening the financial supremacy of England, and to ward off the foreign competition in Indian markets by getting preference both in Indian imports and exports. Frankly, I consider it a preposterous economic proposition put before this country.

17624. It is certain that the adoption of a scheme of Imperial Preference will lead to the diversion of Indian export and import trade into British hands, which will lead to a rise in the prices of imports and decrease in the prices of exports. It will affect India's trade balance adversely and postpone her industrial development for ever.

17625. A Protective Policy combined with a scheme of Imperial Preference will be of no use to this country, for the real object of Protection will be defeated. Any degree of protection granted to home industries by means of a tariff, with a substantial preference in favour of Great Britain will entirely frustrate the salutary effect of protection. India cannot build up her industries in a day. She

will require some time to bring about a combination of those forces and circumstances which can make her industrially a full fledged nation. Before she is allowed this breathing time, if her resources are bartered away by contracting to sell her raw materials to Great Britain preferentially, she must give up all hopes of making a headway industrially. Her raw materials, which primarily it is her right to manufacture for foreign markets,—by the adoption of Imperial Preference,—will be used by British manufacturers to capture foreign markets, before India might turn out from her factories, her first day's output. India will have fixed up her shopping with Great Britain only, no matter the goods inferior and dearer. It would be a great economic miracle if in spite of Protection Indian goods will be able to compete with British goods favourably treated both ways in her own market much less in foreign markets. With India's helplessness in the matter of making machinery which is the very corner-stone of a nation's industrial edifice, the advantages of Protection will be more than counterbalanced by a contract in the form of Imperial Preference entered into regardless of its disastrous consequences.

At present a factory in India becomes much dearer than in those countries where machinery is made (dearer by about 30 per cent., owing to the packing charges, charges of removal to the port, freight charges, insurance, duty and local transport). Even some of the building materials could be placed in the same category as machinery, and to crown all this, an artificial exchange, plays its part to render it disproportionately dearer. In a word, a plant in India costs 50 per cent. more than in those countries where machinery is made. Lastly, the scantiness of capital in India which is responsible for a high rate of interest, contributes its quota to the costliness of a plant. This one disability alone affords sufficient reason for a substantial measure of protection.

Owing to various initial difficulties such as, dependence for machinery, dearth of capital, lack of technical knowledge, unskilled labour, absence of Government incentive, and an unscientific method employed in agriculture, the path of India's industrial development even with Protection is not strewn with roses. But with Protection combined with Imperial Preference, it will be entirely blocked.

17626. For the success of Reforms India requires more revenue and hence a Protective Tariff with a two fold object is necessary. Under the scheme of Imperial Preference, she will have to lose revenue which she cannot afford to do.

17627. The Government of this country stood always exposed to the charge that the best economic interests of this country were subordinated to those of Great Britain and that the political power was used by the rulers for economic domination, and hence the cry for full fiscal freedom. If the Reforms are to purchase Protection at a price of Imperial Preference, it will be difficult to rehabilitate the forfeited confidence that England's connection with India is selfless.

17628. To sum up, India hasnothing to gain, but all to lose in a scheme of Imperial Preference. On economic grounds, it is a worse policy than the present one. She requires protection for her infant industries, hence she cannot afford to give preference to the Empire. In her economic interest, she must sell her produce in the dearest market, hence she cannot give preference in her exports. As a matter of political expediency—she has not a Dominion Status—she cannot wisely enter into such a scheme, as the economic loss will be incalculable. So, economically a scheme of Imperial Preference will be suicidal, financially disastrous, industrially unwise and politically inexpedient.

ANSWERS.

A Revenue Tariff.

17629. Though theoretically, I am in favour of a Policy of Free Teade, if it is universally adopted by all the countries, I believe that a Policy of Protection for India is indispensable having regard to the stage of her industrial development. In deciding upon Free Trade or Tariff Protection, the question is not one of principle but one of the circumstances and object in view, that is to say, we have to deal with the concrete conditions of a country, the varying factors of its development, and the goal towards which she is striving.

17630. I think that for India, a Tariff provides a more suitable form of taxation than direct taxation. If fresh taxation were necessary, it will entirely depend upon the taxation proposed, whether to choose a direct tax or an indirect tax. If more revenue is required, I would suggest to raise the general *ad valorem* duty and also the rate of duties on the articles of luxuries and comforts, free list or special list may be altered in such a manner that the industries may not be handicapped. I would also suggest to impose a moderate export duty on all raw materials with a higher duty on those exports for which India has got a natural or a partial monopoly. But while altering the Tariff in this way to meet the increasing demand of revenue, I would like to increase simultaneously on a graduated scale the direct taxes also. So by raising both direct and indirect taxes in different proportions it is possible to arrive at an equitable system of taxation.

17631. I am of opinion that the Tariff should not be continued on the existing principles. The present principles are purely revenue or Free Trade principles. As I am for protection, our Tariff should be based on the principles of Protection.

17632. The existing Tariff Policy had a detrimental effect on Indian industries in the past, in so far that with the advent of modern scientific methods of manufacture, the handicraft industries of India decayed. One of the factors, for India, having not been able to substitute hand industries by industries run on modern lines, is her past Tariff Policy. From a continuance of the present Tariff Policy, I believe, there would not be a chance for the development of her industries, in so far that a sufficient incentive to start new industries will be lacking, and the existing ones, which need protection will be without it.

17633 :—1. When an import duty is levied for the purpose of *revenue only*, I would have no objection in theory and in practice, to impose an excise duty on the same article manufactured in India.

2. But if the duty is imposed for the purpose of revenue and the indigenous industry requires protection I am against the imposition of excise duty.

3. If an import duty is imposed on an article, and the industry producing the same article in India is fairly established, with a scope for full growth in future, and if revenue is required, I would prefer differential customs and excise duties.

17634. I would favor the imposition of excise duty, only if revenue is to be obtained. This is subject to the conditions that such measure of protection is to be afforded to an industry, as at its particular stage, it stands in need of.

I would favour the imposition of excise duty for revenue purposes, but not with a view not to protect the home industry.

17635. Whether the imposition of such import and excise duties will tend to increase the price, will depend very much upon the percentage of duty, the percentage of home supply as against the foreign supply, and the nature of the commodity, and the position of the industry both at home and abroad.

A Protective Tariff.

17636. To create and foster Indian industries, the Tariff must be primarily framed on protective principles.

If the present state of industrial development of India could be termed as "Crude," tariff based on principles of protection will undoubtedly contribute to the creation of new industries, to the protection of those in an infant stage, which would otherwise die out, and to the fostering of such as have passed an infant stage, but not reached their full growth. The greatest economic *desideratum* for India to remove her poverty is diversity of occupations. To achieve this object a judicious protective policy resulting in rapid industrialization is indispensable.

17637. The modern economic organization of society is so complex and closely internationally linked that no country can afford to be absolutely independent of other countries for all her manufactured articles.

I would look forward to a time, provided all requisite circumstances are made available, for India to be very materially independent of other countries in regard to most of her requirements of manufactured goods. I do consider that there may be certain manufactured goods, for which India may have to be dependent on other countries. It is not possible for one to furnish a list of articles for which India will have to depend on other countries, obviously for the reason that a detailed investigation of, broadly speaking, the following facts, with regard to every imported manufactured commodity, is necessary to furnish such a list :—

(1) Whether the article is an article of direct consumption or of subsidiary use in the manufacture of some other commodity.

(2) Whether its raw material is available in this country or not.

(3) If the article is of a subsidiary use for the manufacture of some other commodity, it is to be seen whether raw

materials and other requisite circumstances are favourable for establishing an industry which may exist on its own legs.

(4) If an article is of a special nature (or if an article is attracted because of the taste and fancy of a class of people), in which some other country is very favourably placed in all the aspects of production, it is to be ascertained whether this country will have to depend on foreign countries for such articles.

(5) Whether an article is such, for which there is a large local demand, and for which the raw materials are not available.

17638. I would favour the imposition of protective duties for the development of Indian industries on some articles and not on all imported manufactures.

17639. I favour protection of some industries by a protective Tariff. Such protection should be extended irrespective of the fact whether the local industry is in existence, or it is in an infant stage, or it is fairly established with a scope for further expansion. The principles on which a selection of such industries may be made, would be more or less as follows:—

(1) Such industries as for which natural circumstances are favourable, and which have a future for further expansion. By natural circumstances, I mean the abundance of raw materials and a local market.

(2) Such industries, the total value of whose imported manufactured articles is very large.

(3) Such industries as are of national importance for existence or for defence, or for running other industries. (Key industries).

(4) Such industries as for which raw materials are available in abundance, and a large foreign market could be found for their finished products.

17640. In the main, I would confine protection to such industries as could be really called staple industries and which in time may be able to stand against foreign competition without such assistance. I would at the same time contemplate the immediate establishment of such industries which are essential, either for defence or for national existence, or of such industrial importance as to depend for that article on a foreign country, would be highly precarious to some other industries. I believe that in course of time all industries will stand on their own legs, but if need be I would not hesitate to grant continuous protection to industries mentioned above.

17641. I would be in favour of granting such protection against foreign goods favoured in the manner described in the question.

For the industrial and commercial advancement of India I would suggest the establishment of Trade Consulates in all the important countries of the world, directly under the control of Indian Government, even if such organization adds to the present expenditure of the Government. The duty of ascertaining the facts with regard to the help which foreign Governments give to the articles imported in India, should be entrusted to this Organization.

In case if an article imported into this country, with or without any protective duty at a particular time, is subsidised by a foreign country, then such a high *anti-dumping* duty or a *super* duty may be levied to undo the effect of subsidy.

Retaliation may be resorted to according to the importance of a given case and its practicability.

17642. I have my doubts if hand weaving industry could be carried on side by side with power loom industry on economically competitive basis from a national point of view. But as the existing power loom industry is unable to meet the total demand of the country, and as already a large number of artisans draw their living out of this hand industry and as the same is supplying the need of the people to a large extent, I would like to see the maintenance of the industry. The greatest stumbling block in the way of an individual weaver is the archaic process of preparing his yarn for the loom. This method is wasteful and it is impossible for an individual artisan to substitute it by a modern one. Hence the Government should supply this need by selling at cost price yarn prepared by modern method, which would avoid the wasteful process above referred to.

17643. I do not think that protection will bring in a danger of any combination among the protected manufacturers to maintain *quasi*-monopoly rates. To my mind, combination is possible only if the margin of profits is reduced to the level of cost, which is the result of a cut-throat competition.

There is likelihood of the prices being spontaneously maintained higher than they would otherwise be without protection to a level of prices of the imported goods, which is the desired object of protection.

In the long run, after an industry is firmly established with no danger of foreign competition and with a capacity to meet the local demand to a material extent, reduction of protective duty may be resorted to as a substantial measure against any existence of a deliberate combination, if it is found.

17644. I think that if protective policy is adopted, there is a possibility of British and foreign firms being established in this country. In the vital economic interests of the people of this country, my attitude towards such a possibility would be that of discouraging them.

As the advent of the modern industrial revolution had its home in European countries and as the Governments of the most of the Western nations had a definite industrial policy during last fifty years or so, the Western nations at present, with commercial skill, technical knowledge and command over capital, are more favourably placed for industrial enterprises than Eastern nations. Without a definite industrial policy on the part of the Government of India in the past, it was possible for outsiders to control several industries in this country with consequent economic drain. If that be so, then under favourable circumstances of protection, there is no doubt that there is every likelihood of foreign capital finding its flow into this country under foreign management and under foreign superior technical staff.

In corroboration of what I have stated above, the following statement from the Report of Mr. Ainscough, His Majesty's High Trade Commissioner for India, appearing in the review of the said Report, in the Times (London) Trade Supplement, Nov. 26, 1921, may be cited.

"If and when a protective tariff is imposed the whole question of establishing Branch Works in India, must be reviewed from an extremely fresh angle as many manufacturers may find it more advantageous to produce within the tariff wall than outside it."

Obviously this would be nothing less than industrial exploitation with the result that the profits would go out of the country, there would not be employment of Indian capital on a progressive profitable basis, there would be no opportunity for this country to acquire the necessary technical skill to work up raw materials into finished products. The only apparent advantage would be the employment of manual labour, which would be very insignificant compared with the disadvantages of Indian industries under foreign control, as described above.

The following Reuter's telegram dated December 22nd further strengthens my fear about the menace to the Indian Industrial development.

Referring to the visit of Mr. Mackay Wood, of the Calico Printers' Association to India, to investigate the possibilities of establishing works in that country, the "Manchester Guardian" points out that not only will the ordinary incidence of tariff be considered, but the fact that even if printing and finishing should be done within walls, tariff is still applicable on cloth imported in grey state, and there is a possible extension of the boycott.

The situation for Lancashire printer and finisher is very grave and that it will soon be impossible to carry on, is authoritatively asserted.

17645. Under a protective system, I do think that there is a possibility of a conflict referred to in the question. I think that having regard to a specific case, there would be no difficulty in adjusting such conflicts of interests.

Effect of protection on prices and on the consumer.

17646. When an import duty is imposed, I think ordinarily a part of it is passed on to the consumer.

To what extent does the rise in price, consequent upon an imposition of import duty, fall on the consumer, depends on various factors, quite special to a specific case. Some of these factors would be as follows:—

(1) Whether the commodity is of direct or indirect consumption.

(2) If of indirect consumption, and at the same time, the percentage of the duty causes only a very insignificant rise in the cost of production, there may not be any likelihood of a rise in price.

(3) Whether the imported article has to face the competition of local manufacture or not, and the relative cost of production of both these manufactures at the centre of consumption and the proportion of supply of each of these manufactures, are to be taken into consideration.

17647. If a protective duty causes a rise in price, I believe that the rise, in course of time, will so adjust itself to the new conditions, that it will cease to be permanently effective.

17648. If there is an increase in price to the Indian consumers, for the sake of developing Indian Industries I would ungrudgingly accept it. Because I am firmly convinced that the establishment of an industry in a country, with all its benefits, would outweigh a temporary disadvantage of a rise in prices.

17649. When I accept a rise in prices to the Indian consumer, for the sake of developing Indian industries, I would have no regard whether the protected article is a necessary of life or not.

For a country with all the economic potentialities like India, there is no question at all of her being able to produce the necessaries of life, I would therefore in the permanent interests of this country, prefer a temporary rise in prices to the consumer, than state of dependence even for necessaries of life on other countries.

I would class food, clothing and housing, as necessaries of life. In the first case India is entirely independent, and in the last case too, except for the rich classes, the nation is equally independent. Regarding clothing, the established textile industry, undoubtedly indicates that with its full development it is capable of meeting the total demand of the country. In order to bring about such a result, protection is needed.

17650. By the adoption of a policy of protection, I do not fear a material increase in the prices of necessaries of life, so as to make the cost of living very hard. If at all an increase in the cost of living takes place, for the classes mentioned in the question, I am confident, that the same would be soon covered up by a rise in wages, for all these classes.

Effect of protection on foreign trade.

17651. I think that by the adoption of a Policy of Protection judiciously put into practice, if foreign trade is at all affected, it will be only to a small extent. I confidently look forward to the general commercial position and prospects of the country, being improved and developed.

Use of Tariff for Bargaining.

17652. Looking to the nature of our exports and imports, I think that this country will neither be in need of, nor would it be to her benefit, to so arrange her Tariff as to use it as an instrument for bargaining with other countries.

Our chief exports are raw materials, and hence they require no favourable treatment in foreign markets, as it would be the case for the manufactured exports of a highly industrialised country, and which has to depend for her subsistence, to an appreciable extent, on foreign markets.

The tariff history of the world proves that a tariff framed for bargaining is not generally effective in its object.

Organisation for investigating the claims of industries.

17653. On the adoption of a policy of protection, it would be necessary to have a permanent organization to investigate the claims of different industries to protection and for the readjustment of tariff rates, from time to time. Such an organization should be adequately staffed, and should be mainly recruited from Indians, who, with their local knowledge, and Indian outlook, will be better placed to grasp the conditions of different trades and industries, than outsiders. The staff should undoubtedly be competent and well-paid.

Such an organization should be divided into Imperial and Provincial ones. As the Industrial department is now a Provincial one, such an organization ought first to be Provincial. As the industrial development of this country is mainly to be achieved at the hands of the Provincial Governments this organization, whose main function will be to investigate the cases of specific industries for protection ought to be mainly provincial. In a country so large as India divided into various provinces, an organization of this nature, as an Imperial Department and absolutely under the control of the Imperial Government would be totally unfit and not advantageously placed to carry out its functions, whereas, a provincial organization would be directly in touch with the industrial needs of a Province and would be better placed to remain always well informed on subjects relevant to its functions. I would therefore urge that though in one sense, it would be the function of such an organization to send suggestions to the Imperial Government on questions of customs and tariff, it should not be made an Imperial Department, but it should be mainly Provincial for reasons already stated above.

As the tariff for the country shall have to be finally fixed by the Imperial Government, the suggestions coming from the various Provincial Governments may be finally decided by the Imperial Government, as well as the inter-provincial conflicts may be finally settled and decided by the latter.

For this reason, an organisation in the Industrial Department, and not in the Finance Department of the Government of India, may be created by means of which the Government of India may always be kept well informed as regards the matters relating to Tariff.

The object in attaching this organisation to the Industrial Department, and not to the Finance Department, is that it will have to decide questions regarding the measure of protection to be given irrespective of revenue considerations.

The Provincial organisation should be affiliated to the Provincial Industrial department, and should be under the absolute control of the Provincial Government and be maintained by it. This organization may make investigations at its own initiative or at the instance of either the Provincial or the Imperial Government. There should be a good spirit of co-operation between such organizations of different provinces, in order that vaster interests of the country at large may not suffer because of the provincial claims, and that inter-provincial conflicts may be eliminated at an early stage, and that interests and stand-points of various provinces may be better appreciated by one another.

It need not be mentioned that there ought to be also a spirit of co-operation between the Provincial and the Imperial organization. I would further recommend to strengthen the Provincial organization by an advisory committee, partially constituted from the members of the Legislative Council and partially from the public.

Export duties.

17654. My view of the export duty is that it would perform various functions under various circumstances. I need not mention that the percentage of duty and the position of a particular commodity, so far as its supply from one country and its demand in other countries, are to be taken into account to see as to how far an export duty will be effective in serving the object in view.

Export duty may be levied with the objects of raising revenue, affording protection to home industries, conserving indigenous products for the welfare of the people, and also for bargaining with or retaliating against other countries.

17655. Theoretically it is supposed that generally export duties lead to a diminution of export trade, but this also depends on the percentage of the duty, and the position of a particular commodity, so far as its supply from one country and its demand in other countries are concerned, in the world market.

I believe that in certain circumstances an export duty could be levied without injuring export trade of a country. These circumstances may be briefly stated as follows:—

(1) If the article is of a monopolistic nature.

(2) If the supply forms a large proportion of the total demand of the world.

(3) If countries buying that article are unable to find a suitable substitute from any other source.

It is not possible for one to furnish a reliable list of such articles of export, on which export duty may be imposed without any injury to the export trade, in the absence of statistics and detailed information regarding the position of India's raw materials, in the world market.

In order to ascertain exact facts with regard to our exports, an inquiry on the following lines should be undertaken:—

(1) The percentage of export in relation to local produce.

(2) The percentage of our export in relation to world's demand.

(3) The countries of demand, and the proportion of each of them compared with the world's total demand.

(4) The countries of supply and the proportion of each of them compared with the world's total supply.

(5) The quality of our export, in so far as it is inferior or superior or of a special quality.

I consider it advisable to impose export duty on raw materials to encourage its retention in India both for the purpose of manufacture and for the purpose of preservation of these articles for the welfare of the people of this country.

17656. I consider that it would be of advantage to India to impose an export duty on foodstuff with a view to preserving food resources for the people of this country, having regard to our home produce being not adequate to our requirements.

Though it is very difficult to answer whether the Indian prices would be lowered and be effective in reducing the

cost of living, I am inclined to think that to a certain extent such a result is possible.

Considering the inadequacy of our total produce—an undeniable fact—the statistics of two chief articles of export of food-stuffs, *viz.*:—rice and wheat bear out that the quantity exported is not very immaterial. Out of the total exports of food-stuffs in the year 1913-14 of the value of Rs. 4,516 lakhs, rice is 2,663 lakhs or 8 per cent. of its total produce, and wheat is 1,313 lakhs or 14 per cent. of its total produce. By levying an effective export duty, it is likely that to a certain extent, Indian prices may be lowered with its effect on the cost of living.

I apprehend no detrimental effect to the agricultural interests and on the quantity of food-stuffs produced, the reason being that there is already a shortage of food-stuffs for our people, as well as I do not fear the total extinction of our exports.

17657. I do not consider it advisable to impose an export duty on raw material, in retaliation for an import duty imposed by a foreign country on our manufactured exports.

The general position of our exports will show that a very little portion of the total exports consists of manufactured goods, and again the countries which import our manufactured goods, are not the importers of our raw materials. It would, therefore, be inadvisable to levy any export duty on raw materials, as a measure of retaliation.

The second reason for the inadvisability of such a course is that by imposing an effective export duty against a particular country, we would be eliminating competition to that extent with its effect of lowering prices and at the same time, we would be giving another country an opportunity to make profit by selling our export to that particular country at our cost.

B.—Imperial Preference.

17658. On no grounds I am in favour of the idea of Imperial Preference.

The scheme of Imperial Preference would mean to give preferential rates to the countries of the British Empire, both for India's imports as well as exports, as against foreign countries. There cannot be an economic proposition of greater moment and of far-reaching importance made to this country than the one of Imperial Preference, which is bound to affect the most vital economic interest of this country. In approaching the solution of this problem, there is no doubt that the sole determining factor ought to be the economic interest of this country irrespective of any other consideration. The community of interests between the several nations comprised in the British Empire, is that of help in an hour of need. That is the sole tie of affection and interest that justifies the existence of the British Empire. Any attempt to strengthen the tie of relation between different members of the British Empire on economic grounds would be futile. An economic *entente* of the kind proposed in the scheme of preference is likely at no distant date to increase enemies of the British Empire. The trade interest of the different members of the British Empire are so closely bound up with those of other nations of the world that no sooner an economic isolation of this nature is brought about and, however successful it may ostensibly appear for some time, a tariff warfare with different nations of the world on the one hand and the British Empire on the other, is bound to ensue. In course of time such a state of things is sure to prove very disastrous to the British Empire as a whole. The world war has proved beyond doubt that without such artificial economic ties, the solidarity of the British Empire has remained unimpaired.

On pure economic grounds, the present undeveloped condition of India would totally forbid her to think seriously to enter into such a scheme, neither would I think that any economic interests of India would be served by her participation in a scheme of this nature, having regard to her economic resources.

I am of opinion that by the adoption of a system of Imperial Preference, on other grounds, the economic loss would be so terrible and would be of so permanent a nature that it would be suicidal for this country to adopt it. I am confident that a tariff system of this nature will affect detrimentally the daily life of the whole nation, and the development of her resources would be strangled.

17659. As I am totally against Imperial Preference, there cannot be any question of differentiation of treatment to the United Kingdom and other parts of the British Empire. If at all the question of a differential treatment has to be seriously considered, then, because the trade of this country with the United Kingdom is so large that with a due sense of our vital interests, we cannot afford to give a more advantageous treatment to the United Kingdom. Our trade with the other parts of the Empire is so insignificant that if a different treatment has to be given, we can afford to treat them more favourably. But on political grounds, I would not think at all of giving any preferential treatment to the other parts of the British Empire, as compared with foreign countries.

17660. I believe that an incalculable harm will be done to India, by a system of Imperial Preference, gain being absolutely out of question.

Under a Free Trade Policy though economically bad for this country, there is at least one advantage both to the consumer and to the producer, as the former has no restriction to buy from the cheapest market and the latter to sell in the dearest. Under a Preferential scheme this advantage will disappear.

By the adoption of a Preferential scheme, there would be elimination of natural competition, with its evil result on the price that the producer will get and the price which the consumer will have to pay. It is a well-known fact that the prices ruling internally for our imported articles and for our articles of export, have a very close relation in determining the cost of living, since our exports pay for our imports, and *vice versâ*. By driving our international commerce by means of Preferential Tariff into two opposite directions in so far as the price goes, our economic life is bound to be very adversely affected.

Our exports show that India exported in 1913-14, the last normal pre-war year, 38 per cent. of her total to the British Empire (24 per cent. to Great Britain) and 62 per cent. to the foreign countries.

This is an unquestionable proof that for a great quantity of our exports, our customers are non-British countries. For a variety of our exports, chiefly of raw materials, in which the prices even for internal distribution are determined by prices for exports, the question would be, whether we can forego the advantages of an open competition.

Regarding the export trade of India, as her best buyers are the non-British countries, it is to her interest to have an open competition in her export market. At present Great Britain and other parts of the Empire give preference to Indian tea, coffee and tobacco, but that advantage is not very material. I believe that these commodities stand on their own merits and require no preference. Regarding other exports, Great Britain cannot afford to give preference to Indian produce, for she cannot make food for her people and raw materials for her manufactures dearer by imposing duty or higher duty against the non-Empire produce, and even if she does India has nothing to gain because 62 per cent. of her total exports which are at present sold in the dearest market will have to be sold in a limited one, so I maintain that in her export trade she has nothing to gain. By limiting export market, her producers will have to accept lower prices because it will be shown from my answers to the questions 41 and 42, that even with a slight preference in India's exports, there is a possibility of complete diversion.

The following observation from the Times Trade Supplement (20th November 1921) will substantiate my fear: "Mr. Ainscough thinks that every effort should be made to stimulate imports of Indian produce to the United Kingdom and to retain our valuable *entrepot* trade which has been of incalculable benefit in stimulating British exports."

As 70 per cent. of India's total imports in 1913-14 were from the British Empire (64 per cent. from Great Britain) by giving preference to the Empire goods, more opportunities will be given to Great Britain to strengthen her hold over India's market. At present, Indians buy in the cheapest market, and for some time to come to equip herself with industrial requisites, she must buy machinery and plant in the competitive market. If preferential rate is adopted, she will have to buy in a limited market and will have to pay more. Not only this but the great hindrance in her industrial development is Great Britain and by giving preference to her goods India will postpone her industrial development for years.

India must continue to buy in the cheapest market till she is in a position to meet her own needs. Japanese, American and German competition is increasing and if a preferential scheme is adopted, I think that a tariff war or retaliation may ensue.

To conclude, I agree with the view of the Government of India (1903) "that without any such system, India aready enjoys a large, probably an exceptionally large, measure of the advantages of the free exchange of imports and exports."

17661. By the adoption of a scheme of Imperial Preference it is most likely that the total volume of our import trade may increase in value, and the total volume of our export trade may decrease in value; thus affecting our favourable balance of trade, and in course of time the difference may be reduced to a point when it may begin to affect adversely.

By placing our international trade in such a position, our trade with foreign or non-British countries is bound to be, to a material extent, diverted to the British countries, with disastrous result of a very far reaching character on India's produce of raw materials, trade and industry.

Considering the position of our import trade, we find that of our total imports 70 per cent. are from British Empire (64 per cent. from the United Kingdom and 6 per cent. from other parts) and 30 per cent. from the foreign countries. Already the position of British imports is very strong compared with that of other countries. By an imposition of an effective preferential import duty, in favour of British goods, the position of British trade in India will stand on so firm a foundation, that the British trade will have acquired almost a monopoly. To the extent to which the foreign goods are rendered dearer, as compared with British goods, the prices of British goods will remain high.

But in course of time with the partial or complete elimination of foreign goods from Indian market, as the case may be with regard to a given commodity, the British trade will have secured such a footing that India will have to pay monopoly prices, which is so obviously going to augment the value of our imports.

One other result that is likely to ensue is that certain foreign commodities will find their way to India through British hands.

There can be no doubt that a scheme of Imperial Preference will lead to diversion of trade and this will compel India to forego a foreign article which may be of a specific quality, and to buy a British article.

Now dealing with our exports, we find that our position is in no way better than imports, if Imperial Preference is thrust on India. We find that 62 per cent. of our exports go to foreign countries and the remaining 38 per cent. are to the Empire (24 per cent. to Great Britain, and 14 per cent. to the other parts of the Empire). By compelling the foreign countries to buy our articles appreciably dearer than the Empire, at the very door of our country, would inevitably lead to diversion of trade, elimination of competition resulting in reduced prices to the producer and paving way for the Empire for establishing an artificial trade, in Indian products, allowing the profits to go outside the country to the great detriment of the producer.

As in imports, by creating a position of monopoly in the hands of the Empire, leading to a rise in the value of imports, so in exports, by creating a similar position, the value of exports will diminish.

C.—Manufactures.

17662. I am interested in the Textile Industry and in the capacity of an agent and a director of a Cotton Spinning and Weaving Mill.

17663. I consider that there are natural advantanges for this industry in India, and they are as follows :—

(1) Raw materials.
(2) Local market for finished products.
(3) Labour.

17664. I consider that the industry is of a substantial importance to the economic prosperity of this country.

17665. The state of organization and equipment of the Cotton Textile Industry in India as compared with that in other countries is not very favourable. Because of the following :—

(1) Inefficiency of labour.
(2) Dependence for plant on foreign countries, which out of proportion increases the initial outlay.
(3) Want of first rate technical experts.
(4) Disparity in internal railway freights in contrast to those for imported goods.
(5) Dearness of the working capital.
(6) Difficulties in raising adequate capital.
(7) Impurity in the supply of raw materials, and the want of long staple fibre for finer goods.
(8) Absence of concerted effort to push Indian goods in foreign countries.

17666. Mainly on the local market and to a certain extent on China, Hongkong, Persia, Straits Settlements, Aden, Egypt, East Africa, Turkey and Ceylon.

17667. In the Indian market, the competition is from the United Kingdom, Japan and of late from the United States of America, and in foreign countries the competition is from the United Kingdom, the United States of America, Japan and other countries. This competition is extended more or less to all classes of goods and it varies in degree with different classes of goods at different times.

17668. The great advantage of a very important nature to the competing countries both Japan and the United Kingdom is that machinery is locally obtainable, and that the climate of both the countries is highly favourable. In case of Japan, the subsidized freight is an additional advantage, and in the case of the United States of America, an abundance of supply of a high class raw material. The general state of the organization of industry in those countries is far superior to that in India.

17669. Taking into consideration all the factors with regard to this industry, I think that the industry does need protection. I am of opinion that a protection of about 25 per cent. for the present will be fairly adequate to stimulate the expansion of this industry and it will not hit hard the consumers.

In 1913-14, India imported cotton piece-goods worth Rs. 6,629 lakhs. The total consumption of cotton goods for 1913-14 was 431 crores yards. Of these, 313 crores yards were supplied by the foreign countries, while the whole home supply was only 108 crores yards. These facts prove beyond doubt that there is a vast scope for expansion in this industry, hence my advocacy for a protective duty of 25 per cent.

17670. I think it likely that if protection is granted, the industry will eventually reach a level of development, which would enable it to face the foreign competition without the aid of protection.

17671. I do not think that the industry suffers from dumping.

17672. By the depressed exchanges in the competing countries, the competition in India is accentuated and it is very difficult to make any forecast as to whether this phenomenon will be permanent or temporary.

17673. I consider that any remedy of an artificial nature would fail even to work as a palliative and what India needs to put her exchange on a sound basis, is a proper monetary system.

17674. Though it is very difficult to describe the effects which the enhancement of the Tariff has produced, it is certain that it had a salutary effect on the industry.

17675. There is no export duty on cotton.

17676. The partly manufactured product of the industry, *viz.*,—yarn is used as raw material for the weaving industry, almost entirely for the handlooms of India and China.

The quantity of yarn produced in India during the official year 1915-16 amounted to 722,424,579 lbs. Of this amount 314,512,996 lbs. were consumed in the production of cloth by mills, and 160,231,736 lbs. were exported, leaving a balance of 247,679,847 lbs. for hand weavers.

17677. I would prefer a system of protection under which various industries receive varying amount of protection in accordance with their needs.

D—Export Trade.

17678. As the exports from India are mainly raw materials, and the conditions necessary for imposing export duties without injuring the export trade are in some cases fully and in other cases partly in existence, it is expedient to impose a moderate export duty on all exports of raw materials and to impose higher duties on those exports for which India has got a natural or a partial monopoly. The present export duty on jute, rice and tea should also be increased, and the rebate on hides and skins to any part of the Empire should be abolished. Indian export trade is not hampered at present by high import duties in any country.

By a preferential rate granted by the United Kingdom or any of the Dominions or Colonies, there is no possibility of stimulating Indian exports. For India has sufficient stimulus to produce raw materials to sell in the dearest market and without any preferential rates from the Empire, she enjoys all the advantages of obtaining best prices. On the contrary by the so-called preferential rates given by Great Britain and the other parts of the Empire, India's export market will be limited and the producers will have to receive less with an adverse effect on our export trade. The idea of giving preference on India's exports can hardly be too strongly condemned in the economic interests of India.

The lower duties levied on certain imports from India onto the United Kingdom or Canada or New Zealand as ompared with the general duty levied on imports from other countries outside the Empire, had no beneficial effects on the Indian trade in those articles, for those articles are few, namely, tea, coffee and tobacco, in case of the United Kingdom, and tea, jute cloth, and raw hides in case of Canada, and tea and candle in case of New Zealand. Looking to the nature of these articles, it is safe to observe that they have secured their position in the Empire markets on their own merits (either because they are cheaper or of better quality or of monopolistic nature) and the preference given to those articles is too small to have any appreciable effect on those articles. India can well be sure to have those markets even without preference. She has all the benefits without preferential rates.

It is possible that a scheme of Imperial Preference may lead to a tariff war and retaliation and India may have to lose her best buyers of raw products and it is possible that by a diminution in the imports from foreign countries owing to the adoption of Imperial Preference, exports to those countries may also be adversely affected, in such a case, there will not be the best outlet for Indian exports. India's exports will be bought at lower prices by the United Kingdom or by other parts of the Empire, either for their manufacture or for reselling them profitably to the foreigners at India's cost.

E. and F.—Import Trade.

17679. An increase in the present tariff rates would not seriously diminish the volume of imports for a few years (though the value will be increased) for India will require some time even under an active protective policy to increase her production to meet her needs, but in the long run there will be a decrease in the volume of imports.

The effect of preference given to the British goods by maintaining the existing rate for foreign goods and reducing it for the British goods will be harmful for the general Tariff is already low and there is not much scope for giving preference to an appreciable extent for it is a revenue Tariff and as such any decrease in the tariff for the British goods is not possible as 70 per cent. of India's imports are from the British Empire. India will have to lose a good deal of revenue, which she cannot afford to do, but it is certain that even in such a case, the percentage of imports from the British Empire will increase with a corresponding decrease in the percentage of goods coming from foreign countries.

If preference is given to the British goods by maintaining the existing rate for the British goods, and enhancing it for foreign goods, Britishers will establish a monopoly in our import market, the value of imports will rise and thus the consumers will be penalized without any advantage to the treasury. This alternative is worse than the first.

If preference is given to the British goods by raising the rate for foreign goods and reducing it for the British goods, the game will be played out soon. This is the worst alternative. The import market of India will be completely in the hands of the British and India will have to pay any price they will demand. The value of imports will rise and the treasury will have to forego a good deal of revenue. In the interest of British manufacturers and traders, Indian consumers, Indian industries and Indian treasury will be hit hard.

By the adoption of Imperial Preference, not only the proportions of imports derived from foreign countries and British countries will be altered but it is possible that the total volume of imported goods will diminish, because at present goods coming from foreign countries are mostly those which are either not favourably produced within the Empire or are of specific quality required by India. Imports from foreign countries get their entrance in spite of the British competition, because they stand on their own merits. With an increase in price, buyers on the margin will have to forego goods of specific quality. The diversion of our import trade from foreign to British countries will be disastrous because it will lead to unnecessary rise in prices.

It is desirable to have a system of *ad valorem* customs duties for this system is more elastic and hence more equitable.

17680. TABLE I.

Statement showing the value and percentage of import and export trade of India in merchandise only to the British Empire and foreign countries for the year 1913-14 (pre-war normal year).

(In lacs of rupees.)

	British Empire.		Total of the British Empire.	Foreign countries.	Total of all the countries.
	United Kingdom.	Other parts of the British Empire.			
Imports .	117,54	104,8	128,06	55,90	18,325
Percentage	64·1	5·9	70	30	100
Exports including re-exports.	58,35	36,07	94,42	154,49	248,91
Percentage	23·7	14·1	37·8	62·2	100

17681. TABLE II.

Statement showing the value of Indian exports for the year 1913-14.

—	—	(In lacs of rupees.)	Manufactures.
1	Jute	59·09	28·27
2	Cotton	53·16	12·12
3	Grain, pulse, flour ...	45·16	
4	Seeds essential	25·67	
5	Tea	14·97	
6	Hides and skins (raw) ...	11·72	
7	Leather	4·25	4·25
8	Opium	3·42	
9	Wool	2·75	0·25
10	Lac	1·96	
11	Coffee	1·53	
12	Oil cakes	1·38	
13	Manganese ore	1·21	
14	Wood and timber... ...	1·07	
15	Dyeing and tanning substances	1·04	
16	Hemp (raw)	1·02	
17	Oil essential	·17	
18	Oil mineral	·21	
19	Oil vegetable	·98	
20	Manures (bones ·74) ...	·94	
21	Spices, ...	·91	
22	Coir, raw rubber, fodder, coal coke, paraffin wax.	3·83	
23	Metals and manufactures ...	·64	
24	Fruits and vegetables ...	·61	
25	Provisions and oilman's cakes	·54	
26	Tobacco	·47	
27	Mica	·45	
28	Fish	·39	
29	Animals	·36	
30	Saltpetre	·30	
31	Silk	·30	·05
32	Candles	·23	·23
33	Drugs and medicines ...	·20	
34	Horns	·15	
35	Apparel	·15	
36	Bristles	·13	
37	Sugar	·13	
38	Fibres for brushes ...	·13	
39	Tallow, etc.	·10	
40	Cordage and rope ...	·10	
41	Articles exported by post ...	1·20	
42	All others	1·38	
	Total ...	244·22	

17682. TABLE III.

Statement showing the value of the principal aricles of imports into India for the year 1913-14.

		(In lacs of rupees.)			(In lacs of rupees.)
1	Textile	66·57	19	Fruits and vegetables	1·13
2	Metals	22·02	20	Precious stones	1·06
3	Sugar	14·95	21	Chemicals	1·01
4	Railway plant and rolling stock ...	10·03	22	Matches, salt and paints	·82
5	Machinery and mill-work	7·75	23	Boots and shoes, wood and timber ...	·86
6	Oils	4·40	24	Tobaccoo	·75
7	Silk	4·36	25	Soap, etc.	46·04
8	Wool	4·05	26	Flax	·42
9	Hardware	3·94	27	Belting and others	26·29
10	Provision and oilman's stores ...	2·47	28	Jute	·25
11	Liquors	2·23	29	Carriages, etc.	75·97
12	Glass and glassware	1·94			
13	Instruments, apparatus and appliances	1·82		Total ...	183·24
14	Spices	1·73			
15	Apparel	1·71		Government stores	8·06
16	Motor cars, etc.	1·53			
17	Dyes	1·41			
18	Drugs and medicines	1·71		GRAND TOTAL Rs. ...	191·20

Oral evidence of Mr. Gulabchand Devchand.

Mr. Gulabchand Devchand was next called in and examined.

17683. *The President.* Q. You are interested in the textile industry ?

A. Yes.

17684. Q. And you favour a policy of protection for the purpose of providing diversity of occupation and mitigating the evils of poverty and famines ?

A. Yes.

17685. Q. You say in paragraph 3 of your letter "in a word she is rich in raw materials and industrial possibilities, but poor in her manufacturing equipment." You mean India is not getting adequate skilled labour for the purpose of successfully establishing industries ?

A. Yes : it is so.

17686. Q. How would you manage to get it ? What would you suggest should be done to secure the skilled superior labour to make industry a success ?

A. My suggestion is that if in a particular locality a tolerably good number of factories are established then some sort of technical schools should be established there to give a sort of theoretical lectures to the labourers, and to train students in a practical way in the factories. Thus we can secure efficiency of labour. Now, what happens is this : from agricultural tracts a portion of the labour is supplied. It is not constant and it is not trained with a view to becoming more efficient and with a view to the labourers taking to the labour as a calling.

17687. Q. That applies to the existing industries. But what about the establishment of new industries to which you refer ? How are you going to get the skilled labour to successfully establish new industries ?

A. Whenever there is a possibility of establishing a new industry it will be possible for us to secure labour.

17688. Q. I am not talking of unskilled labour.

A. We will have to make them skilled.

17689. Q. Would you start with unskilled labour or import skilled labour ?

A. We would not be able to import labour. Take Surat, for example. There is no factory there for hides and skins. If you want to establish a factory there it would be possible to import labour from other parts of India, or we can recruit unskilled labour from the locality and get it trained by our superior skilled staff.

17690. Q. Where will you get your superior skilled staff ?

A. Superior technical staff would of course be trained in England or other foreign countries.

17691. Q. Will you import them ?

A. We will send our men for training or even import them.

17692. Q. Do you think that private enterprise would be able to send our men for training ?

A. No.

17693. Q. Then, how can you get your men trained ? If there is no superior skilled staff available here, you would have no objection to import it from abroad ?

A. No.

17694. Q. In the second sub-paragraph of paragraph 3 of your statement you say : "India is in an infant stage of industrial development and hence she acquires protection to build up her manufactures to develope those already established and to start new ones. To secure the acquired skill and industrial technique, scientific and judicious protection is essential." What do you mean by this ?

A. Here what I mean is this : We have not been able to work out our industrial development because industrial skill and technique have not been available to India. Once we protect the industry and establish industries and imbibe the industrial spirit it will be possible for our nation to establish traditions by means of which we will always have a constant supply of skilled labour and technique.

17695. Q. You say scientific and judicious protection is an essential condition for securing skill and industrial technique. Your position is that if you have protection you would be able to provide the funds for securing the necessary skilled labour first by importing and then by training our local men. Is it not so ?

A. Yes.

17696. Q. Then you say in paragraph 5 : "Tariff duties without an active co-operation on the part of the state will not do much to achieve the object. The whole attitude of the State must be changed and be permeated with a protective spirit." So, you advocate that in addition to the introduction of protective duties, the State should take a hand in it.

A. Absolutely.

17699. Q. And without State assistance a great deal of success cannot be achieved ?

A. I should think so. Even if we have a large measure of protection, a protection of 50 per cent, even then if the State does not move in the proper direction, I do not think it will help us materially.

17700. Q. If the State takes a hand in helping, the object would be achieved more rapidly ?

A. Yes.

17701. *Sir Maneckjee Dadabhoy :* Q. As you are interested in the textile industry, I would like you to definitely inform this commission what amount of protection would be necessary to help the industry to maintain its position ?

A. I have already stated in answer to Question No. 50 that under the present circumstances about 25 per cent. would do.

17702. Q. Don't you think that is rather large ?

A. I do not think so. I rather feel that it is not sufficiently large. When I mentioned this figure I paid due regard to the interests of the consumer.

17703. *Q.* And then you do not recommend any excise duty?

A. When I mentioned 25 per cent. duty, I meant that the duty may be 28 or 30 per cent.

17704. *Q.* That is what I do not understand. You mean that the duty should be 28 per cent. and the present excise should remain as at present? You want 25 per cent. net protection. Am I to understand that this is your view?

A. Yes.

17705. *Q.* Mr. Wadia thinks that the 11 per cent. with the present excise duty or 14 per cent. with 6 per cent. excise duty is quite adequate.

A. The position would be worse.

17706. *Q.* Mr. Wadia says that would give ample protection.

A. I disagree with the views of Mr. Wadia.

17707. *Q.* You don't take the same hopeful view as Mr. Wadia?

A. I do take a hopeful view, but not to the same extent as he does.

17708. *Q.* In your opinion the present prosperity of the mill industry of the country is due to the after effects of the war and the protection given is a war protection.

A. As far as I can see it was temporary and phenomenal.

17709. *Q.* It is one of the largest industries of the country and you would like to place it on a permanent and proper footing?

A. Without any question. It supplies enormous amount of employment to labour in this country.

17710. *Q.* Would not the 25 per cent. duty cause serious hardship to the consumer till you get a larger number of mills erected in India?

A. I don't think it has caused any injury to the consumer, because taking the total import of the textile goods at 70 crores and also the local produce at 70 crores and other trade charges such as transport, middlemen, etc., at 60 crores, the total prices the Indian consumer is paying, I would compute it, at about 200 crores of rupees. This will give you Rs. 5 per head.

17711. *Q.* The cost of cloth at present per head is Rs. 5 per year?

A. Yes, on a very liberal computation.

17712. *Q.* If you increase the duty by 25 per cent. how would it raise the cost per head?

A. To my mind it won't increase so much as 25 per cent.

17713. *Q.* Would it not raise the Rs. 5 by 25 per cent.?

A. Not so much. It will increase by Re. 1 or so.

17714. *Q.* Will it not make much difference in his budget?

A. I don't think.

17715. *Q.* Is not clothing a necessary of life?

A. I admit that.

17716. *Q.* And as such you say he is capable of bearing 25 per cent. increase?

A. Yes.

17717. *Q.* I understand you are not in favour of export duties?

A. I am in favour of export duties.

17718. *Q.* Only on articles which are of a monopolistic nature or if the supply forms a large proportion of the total demand of the world (please see page 10 of the statement)?

A. I have mentioned on what classes of articles export duty can be levied without injury to the export trade. I have not given any list because I thought that any list which one individual may try to prepare would be absolutely unreliable.

17719. *Q.* Would you impose an export duty on food grains?

A. I would, because I believe that our soil is capable of producing agricultural crops more than sufficient for our requirements. If it is not producing enough now the reasons are absolutely different. Social customs come in the way; the ignorance of the agriculturists come in the way. My firm conviction is that our total agricultural products are not sufficient for our requirements. That is why we hear so much of what is called the proverbial poverty of India. We know that 6 crores of Indians take only one meal a day. Under these circumstances I would like to conserve all my food resources and if I am able to do that by export duty, I would too readily do that even if it costs a little to the export trade.

17720. *Mr. Jamnadas Dwarkadas.*—What would be the effect of having an export duty on food-stuffs? It would lower prices, would it not?

A. Not much. It depends upon the amount of duty that you impose.

17721. *Q.* Don't you think that it will have this effect that people who produced food grains will divert their energies to producing commercial crops which will fetch better rates from outside the country?

A. It depends upon circumstances. Just as an ordinary business man who is affected in one sort of business will turn to another business more profitable, similarly the agriculturist can change his crop from year to year. But so far as the whole country is concerned, I do not believe that there will be a material reduction of food-stuffs if a moderate export duty is placed with a view to conserving them.

17722. *Q.* If an export duty is placed, don't you think it will reduce the quantity of the exports?

A. It will.

17723. *Q.* Naturally it will have the effect of lowering prices?

A. I admit that.

17724. *Q.* The surplus cannot be exported to foreign countries?

A. There is no surplus.

17725. *Q.* You mean to say that in normal times we have only enough of food grains?

A. Yes. I am prepared to prove it from statistics. If you take the barest necessities of an individual.

17726. *Q.* Don't take the barest necessities?

A. If six crores are starving and the food-stuffs of the country are being drained away, naturally that means that there is no surplus.

17727. *Q.* Who bears the loss? You get the food cheaper, but the cultivator bears the loss. He gets lower prices for the food-stuffs he produces?

A. Yes. If there is a moderate duty there won't be a material reduction in the price.

17728. *Q.* There is this possibility that because his prices are lowered he will turn to commercial crops on which there is no export duty, cotton for instance.

A. I don't think so.

17729. *Q.* Would you not rather advocate this, that in times of scarcity there should be an export duty or Government measure of 'control; but that in ordinary times there should be no export duty?

A. I have said that the duty may vary from time to time in regard to the position of any particular article of export.

17730. *Q.* Don't you think that this will be the effect in the case of all export duties where you have not got a monopoly, that it will always hit the cultivator?

A. I don't think so.

17731. *Q.* A moderate duty will not hit him?

A. No, because only a portion of our produce is exported and not the entire crop.

17732. *Q.* In answer to the question by the President you said that if 50 or even 100 per cent. protection were given if the State does not help, it would not help our industry What do you mean by that? What more help do you expect from the State?

A. My belief is that the State has not done enough for the development of Indian industries.

17733. *Q.* Do you mean to say that the fiscal policy has been directed.....

A. So far as the other activities are concerned the State has not done enough. And unless the whole spirit of the State is changed, unless a definite goal is set forth before their minds that they must develop the industries of this country, I do not think mere protection will help much. Protection is only one of the contributory causes for the development of industry.

17734. *Q.* Would you suggest any other sort of help that the State can give?

A. There are so many courses suggested in the Industrial Commission's Report.

17735. *Q.* The main thing is the adoption of a protective policy?

A. Yes.

17736. *Q.* The freedom of India to have its own fiscal policy. That is the main thing?

A. Yes.

17737. *Q.* If these were given other things would naturally follow?

A. If that is an index of the change of spirit so far as the Government is concerned.

17738. *Q.* In answer to Sir Maneckjee Dadhabhoy, you said that if you had a 25 per cent. duty it would not mean a burden to the consumer. Suppose, for argument's sake, that you put a 25 per cent. duty. Would you save the other charges which you calculate at 60 crores?

A. That would not be saved. They are transport and middlemen's charges.

17739. *Q.* If you import cloth from England it would really cost more than if you use home-made cloth. Is this included in your 60 crores.

A. No.

17740. *Q.* What do you mean by the 'other charges'?

A. I mean that the prices of the foreign goods mentioned in the Government reports are the prices at the ports, that is of the wholesale dealers. Then there are railway charges, insurance charges, etc. I say that the difference of price on the one hand which the consumers pay and the price on the other hand which the Indian importer pays would be 60 crores.

17741. *Q.* You can effect a good deal of saving only if you have timely protection?

A. Not materially. To a certain extent it is possible, but not largely unless the mills are distributed all over the country.

17742. *Q.* If a 25 per cent. protective duty has a tendency to increase the number of mills in India and ultimately to bring down prices, you would certainly put it on even if it means temporary sacrifice?

A. Yes.

17743. *Q.* With regard to the permanent organisation that you suggest in your memorandum, you think that it will be a sort of central and provincial organisation. Do you mean that the provincial organisation should exercise control in its own province?

A. No.

17744. *Q.* Do you mean that the central organisation should control the whole tariff?

A. Yes.

17745. *Q.* You want the provincial organisation as a subsidiary organisation to help the central?

A. Yes.

17746. *Q.* You don't want any provincial tariffs?

A. No, no. I never meant that. From the question I understood whether a series of organisations were necessary or not to furnish Goverment with information from time to time, and therefore, I have suggested this organisation. Now as I very clearly say in my answer, the final decisions must rest with the Central Government. The industries in the different provinces will be directly under the control of the respective provinces, but so far as fixing of tariffs, etc., is concerned, it should be with the Central Government.

17747. *Mr. Mant.*—*Q.* Have you any connection with agriculture?

A. Do yon mean experience in agriculture?

17748. *Q.* Yes, any connection?

A. I have no connection directly with agriculture?

17749. *Q.* When you say that you do not believe that an export duty on food-stuffs will have any detrimental effect on agriculture, I suppose you are speaking merely from theory?

A. Yes.

17750. *Q.* I understand you employ labour in your cotton industry?

A. Yes, I do for cotton industry.

17751. *Q.* Lowering the prices of food stuffs will cheapen the price of labour. Will it not?

A. To a certain extent it will.

17752. *Q.* Coming to your proposals with regard to cotton duty, I understand you calculate the cost of cloth to an average Indian at Rs. 5 per head a year?

A. Yes, on a rough computation.

17753. *Q.* You say that a 25 per cent duty would not be equivalent to a tax of 25 per cent. on Rs. 5. Is not that your argument?

A. Not so much as 25 per cent. but it may be roughly 20 per cent. or even less.

17754. *Q.* That is 1-5th. That would be a tax of Re. 1 per head a year on an average?

A. No. It won't be Re. 1 a head.

17755. *Q.* 20 per cent. on Rs. 5?

A. It won't be Re. 1.

17756. *Q.* You said 20 per cent. 20 per cent. on Rs. 5 is Re. 1.

A. It won't be in effect so much as a duty of Re. 1 per head for the whole population.

17757. *Q.* Let us go back, You recommend a duty of 25 per cent. You said that it would not amount to a tax of 25 per cent. on Rs. 5. I asked you how much it would be. I understood you to say it would be 20 per cent. Now you say it won't be 20 per cent.

A. It will be 20 per cent.

17758. *Q.* 20 per cent. on Rs. 5 is Re. 1?

A. Yes, but it won't be in its effect as good as a rupee of taxation collected from every individual of the country. It won't bring you 30 crores of rupees.

17759. *Q.* I will again go back. You said that you want to put on a 25 per cent. duty. You said it would in effect raise the cost of cloth by 20 per cent. Now you say it won't be 20 per cent. What then will it be? I want to get your figure.

A. 20 per cent. will be the effect. But you ask another supplementary question and say that in effect the consumer will have to pay one rupee more over the five rupees and it is as good as a taxation *per capita*. This I deny.

17760. *Q.* You admit that the consumer will have to pay 6 Rupees instead of Rs. 5 for his cloth.

A. So far as imported cloths are concerned. Not for all cloths. When I mention Rs. 5 I have taken into consideration the indigenous goods also.

17761. *Q.* Rs. 5 is not the cost of all the cloth consumed. Isn't it?

A. Of imported and indigenous cloth. I have worked out the figure at Rs 5, for both.

17762. *Q.* My question to you is whether a 25 per cent. duty would not raise the average cost of cloth per head by 25 per cent. If not, I ask you to suggest a figure by which it would raise the price of cloth.

A. I say 20 per cent.

17763. *Q.* Well then, now you say it will not be 20 per cent on Rs. 5.

A. I say it will be 20 per cent.

17764. *Q.* Then it will raise the cost of cloth from Rs. 5 to Rs. 6.

A. No. The figure Rs. 5 that we have adopted includes the cost of indigenous goods used by the people as well as the foreign goods?

17765. *Q.* I only ask you to suggest a figure by which the cost of cloth will be raised. What percentage on Rs. 5?

17766. *President*:—In answering Mr. Mant's question you may take your own estimate as to how much will be foreign imported cloth and how much will be locally made or handloom cloth.

A. It is a very difficult question.

17767. *Mr. Mant*:—That is your answer?

A. If you ask so far as foreign cloth is concerned, my answer is that the Rs. 5 would be increased to the extent of 20 per cent. on the total value of the foreign goods.

17768. *The President*:—The price of foreign goods will be enhanced to the extent of 20 per cent.

A. Yes. But how much an average Indian consumer will have to pay on the total outlay, it is very difficult to answer because there are other factors to be taken into account.

17769. *President*:—Then your answer should be 'you cannot answer this question for these reasons.'

17770. *Mr. Mant.*—*Q.* Will you tell me how it will hit the consumer?

A. When an average Indian spends Rs. 5 out of his annual income of Rs. 75, if by this duty he is obliged to pay to the extent of 25 per cent. more it will not make his living hard.

17771. *Q.* I wanted to get at this figure, because we have had of late criticism of the salt duty. We were told that an incidence of about three annas per head per annum on account of salt duty would be a very heavy tax. You say that a rupee per head on account of cotton would not be a very heavy tax.

A. The question is what proportion this three annas will make in the total outlay on salt which an individual consumes.

17772. *Q.* I am only trying to get a rough idea of the comparative incidence of a tax on cloth and on salt. You tell me a rupee will not be a heavy incidence for a tax on cloth.

A. I do not think so.

17773. *Mr. Birla*:—*Q.* Are you a mill owner?

A. I am merely an agent.

17774. *Q.* You are interested in securing cheap labour?

A. Yes, from a particular point of view. But I consider the question of the total labour for the whole country for the industrial development.

17775. *Q.* You do not advocate an export duty on food-stuffs simply with a view to get cheap labour for your mill?

A. Not at all.

17776. *Q.* Will not the cheapening of the price of food-stuffs cheapen labour substantially?

A. That depends upon various other factors.

17777. *Q.* You say there is no great surplus of food-stuffs in this country even when there is a bumper crop. Have you got any figures to support this view?

A. I am sorry I have not got figures here.

17778. *Q.* How then would you support the statement that there is no surplus of food-stuffs in this country even when there is bumper crop?

A. Firstly, there is the Indian poverty which is so well-known to us, and which is sufficiently indicative of the shortage of crops in the country. When I say insufficiency I mean insufficiency from this point of view, *i.e.*, that we are not able to produce as much as our soil would otherwise be capable of producing with scientific implements and if agriculture is worked in a scientific way.

17779. *Q.* But the question is whether the semi-starvation of so many people is due to lack of purchasing power or due to lack of surplus of food-stuffs in this country.

A. Both lack of purchasing power and lack of surplus food-stuffs.

17780. *Q.* According to your own estimate what is the proportion of the population who work in agriculture to the total population?

A. About 70 per cent.

17781. *Q.* Assuming that the prices come down on account of the export duties on food-stuffs, do you think it will seriously hit the producers inasmuch as they are consumers too?

A. No.

17782. *Q.* You want to give protection to industries firstly by import duties and secondly by export duties. Are you not penalising the agriculturists doubly?

A. That is why our system of protection should be scientific. We cannot have a hard-and-fast rule that so many per cent. should be import duties and so many should be export duties.

17783. *Q.* You want to make discrimination in the materials which are exported?

A. Surely, if the duty is for revenue purposes.

17784. *Q.* Would it not be better to protect your industries simply by import duties without any export duties at all?

(Mr. Gulabchand Devchand was answering Mr. Birla.)

A. Of course, to a certain extent export duties would be a sort of supplementary measure of protection. But first the measure of protection ought to be applied to the articles imported. What we export are after all raw materials, and what we import are manufactured goods. If our goal is to manufacture such goods as we consume or as we are likely to export in future, we should have protection. But I would not leave out export duties entirely.

17785. *Q.* Won't you be satisfied with the protection which you get from the import duty?

A. Take a concrete instance. I believe there is a great potentiality for the hides and skins industry. You will class them as raw materials. If you are able to establish a few factories by assisting the industry in infant stage and at the same time you find that the industry at that particular stage is not sufficiently encouraged, then you may have a little export duty also.

17786. *Q.* Do you think really that the export duty on hides and skins has been of any great advantage to the country that it has given a great impetus to the starting of new industries?

A. The export duty levied last year.

17787. *Q.* Yes.

A. It has worked a great evil, because of the rebate of 10 per cent. which has been granted to the Empire tanners.

17788. *Q.* You think that if there had been no preference the duty would not have affected the local industries?

A. Then in that case I would not have suggested a duty of 15 per cent.

17789. *Q.* Then in that case you would only want a moderate duty?

A. Yes.

17790. *Mr. Rhodes.*—*Q.* With reference to the cotton excise question, I would like to assume for a minute the correctness of Mr. Conbrough's figures, and roughly divide the consumption of goods into three equal parts, the products of hand-looms, of the Indian mills and the imported goods. When the price of imported cloth rose during the war, did not the price of Indian mill goods and hand-loom goods rise?

A. The price of Indian-made goods also did rise.

17791. *Q.* If we put a 25 per cent. duty on imported goods it will of course increase the price of the hand-made stuff and also the mill stuff?

A. Yes, to a certain extent.

17792. *Q.* You estimate it to be about 20 per cent.?

A. Yes. So far as imported goods are concerned I want to make my position clear. The price of goods would be very likely to increase to the extent of 20 per cent. by a duty of 25 per cent.

17793. *Q.* How do you make it out?

A. I think the effect won't be so much as 25 per cent.

17794. *Q.* Why not?

A. Because foreign manufacturers who export goods to this country will also try to minimise their cost in other ways.

17795. *Q.* Have they not cut it down to the actual cost of production in Lancashire?

A. Yes.

17796. *Q.* How can they reduce still further?

A. They might try to do it.

17797. *Q.* Are not the mills at present closed for want of orders?

A. Half of them are closed, I am told.

17798. *Q.* Have they not tried and failed to find any method of reducing the cost of production?

A. I do not know that they have failed.

17799. *Q.* You can assume from the fact that they have closed down that they cannot sell at a lower price.

A. In course of time it may be possible for them to lower their price.

17800. *Q.* But at present that is not the position.

A. I think in Great Britain last year and even now there has been reduced production in all industries. It may be possible in course of time to improve production. It may be possible materially to reduce the cost of production so far as all industries of Great Britain are concerned.

17801. *Q.* Let us assume that it goes down to the Re. 1 per head, that you mention, from Rs. 1-4. You tell us that the number of locally manufactured articles of the mills and hand-looms will go up. By the increase in the duty on imported goods the consumer has to pay 30 crores of rupees a year. Now Government will only get 10 crores by that increase on the imported goods. Therefore Government are going to get 10 crores and the consumer is going to pay 30 crores. Am I correct?

A. If I put the total value of the imports at 70 crores, then 25 per cent on that will be 17 crores for Government.

17802. *Q.* The consumer will pay 50 crores on that basis.

A. The consumer will pay 30 crores in all. At Re. 1 per head the total amount will be 30 crores, out of which Government might take away 17 crores.

17803. *Q.* Is the 25 per cent. going to diminish imports?

A. I do not think it will in the immediate future.

17804. *Q.* Then what is the use of protecting the mill industry?

A. By means of such protection we hope to develop our industries in a greater degree.

17805. *Q.* When these are developed the import duty will be less than 17 crores.

A. Yes. It will be so in the future.

17806. *Q.* Then you are going to charge the consumer up to 30 crores in order to get even less than 17 crores of revenue.

A. Not with the idea of revenue alone, but with the idea of protecting an industry which I do believe is not entirely full-fledged, which has passed merely the infant stage and has not attained its fullest maturity.

17807. *Q.* Then the 200 per cent. dividends are not enough? You want them to be 600 per cent.?

A. It is not a fact. It may be in the case of only certain mills which have got a very low capital compared with the cost of their block. The dividend may be three-fold and four-fold. It is possible only in particular and rare cases.

17808. *Q.* Mr. Wadia put forward the view that it would be wrong to tax the consumers to this enormous extent when you are not convinced that the mill industry requires more protection than it has at present.

A. That may be Mr. Wadia's view.

17809. *Q.* You would not object to taking 30 crores from the consumer and get something less than 17 crores of revenue from it?

A. I would not fight shy of it if it is possible.

17810. *Q.* Not in the interests of the consumer?

A. When I suggested my duty of 25 per cent. I had sufficiently considered the prices. For better elucidation of what I have suggested I have prepared this tabular statement in support of my point of view. (Witness handed a statement to Mr. Rhodes, who after going through it returned it to the witness.)

17811. *Q.* In other words, you have no objection to this very heavy charge on the consumer for adding a comparatively small revenue in order to build up the mill industry still further?

A. Because I believe when the question of protection comes the question of revenue stands apart. The question is whether the industry is full-fledged or not. Here are the raw materials. Here is a great Eastern market and a large local consumption. If the industry is not able to reach that stage when it can face competition, if the manufacturers are hit hard by foreign competition with artificial methods of protection undoubtedly the foreign competition should be eliminated as much as possible.

17812. *Q.* Mr. Wadia has shown by the increase of imports of machinery that the industry is growing now.

A. It is not. During the war the industry had to remain at a standstill which would not have been the case had machinery been produced in India.

17813. *Q.* Is it growing at all?

A. It is growing. But certain mills have been closed down for ever.

17814. *Q.* The industry as a whole is growing, and Mr. Wadia was afraid that if you stimulated it too quickly you would have a fictitious boom and over-production and a serious setback to the industry?

A. I may say that over-production is not possible. Even if it is possible to run our mills for 24 hours the production would not be over-production, taking into account probably the export trade that India must have naturally.

17815. *Q.* In the face of the impoverished condition of the community generally you are prepared to charge this extra price for the cloth in order to help the cotton mill industry?

A. Surely. In fact all economic authorities have considered this point of the greater price which the consumers will have to pay during the transitional period of protection.

17816. *Q.* You think they can afford to pay it?

A. I think so.

17817. *Q.* Not only on cotton, but on everything else for which you are asking for protection?

A. But we have to take into consideration each case on its own merits.

17818. *Q.* All being added together the consumer would have to pay a good lot for everything?

A. There should be no protection for such industries as it is not possible immediately to start.

17819. *Q.* You would give your support to the mill industry at present?

A. No, not the mill industry only. If you will refer to my memorandum you will see I have not asked for protection only for the mill industry at the cost of other industries.

17820. *Q.* You would concentrate your attention in the first instance on the cotton mill industry?

A. No. Because you have divided your questionnaire in a certain way, because you have asked for opinion regarding the particular industry in which I am engaged, I have suggested this duty. It is because of your classification of your questions that I have suggested protection with regard to the textile industry. I beg the Commission not to suppose that because I am interested in this industry I am recommending a duty.

17821. *Q.* You ask for a protective tariff on cotton mill machinery?

A. No. I have not done so.

17822. *Q.* You say that the state of organization and equipment of the textile industry in India is not very favourable because of dependence for plant on foreign countries, which out of proportion increases the initial outlay. Do you mean to imply that you want a duty on machinery?

A. No. I do not want.

17823. *Q.* You talk of dependence as a drawback?

A. Yes. It is a very great drawback.

17824. *Q.* Do you want to protect machine-making in India?

A. During the transitional stage if India is not able to produce machinery simultaneously with the levying of any duty, then we have to depend for a good deal of time on foreign machinery. Because we are not able to produce machinery we should not postpone our development for a certain number of years. You should not say "First learn to make machinery and then start industries." That is why I would have it in a free list. And if there is to be any duty at all purely for revenue purposes it should be a very small duty.

17825. *Q.* You would not build up the machinery-making industry in India?

A. I would.

17826. *Q.* With a protective duty?

A. I would object to duty because it would hamper the progress of industries.

17827. *Q.* You want protection for cotton goods and not for cotton machinery?

A. Cotton goods are not the only things in my mind.

17828. *Q.* I am talking about the cotton mill machinery. Do you want protection or not?

A. If Indian machinery is available at a lower cost and if the position of the textile machinery manufacturers in India is such that they require protection then surely I would have it.

17829. *Q.* If it is available at a lower cost then why do you want protection?

A. I mean if there is a possibility of getting it at a lower cost. Now no machinery is made. That is why people import machinery from foreign countries. I think there is a possibility in this country of manufacturing machinery. If it is available readily and easily then have protection. It is possible that India will be able to make machinery. When some textile machinery factories are established they will be able to supply the need of this country, not in a single year, but in the course of 5 years or so. At that time if the industry is in an infant condition and the foreign machinery comes in its way, then protection must be resorted to.

Witness No. 117.

Written statement of R. D. BELL, Esq., C.I.E., I.C.S., Director of Industries, Bombay, dated the 13th January 1922.

A.—Revenue Tariff.

17831. 1. I generally favour a policy of free trade. I do not object, however, to the imposition of customs duties for the purpose of obtaining revenue.

17832. 2. I consider that a tariff provides a suitable form of taxation for India. A comparison between a tariff and direct taxation, such as income tax, is difficult. At the present time both methods of taxation in combination are suitable for the country. For example, I do not think that customs duties should be increased to enable the income tax to be abolished, but if fresh taxation were necessary part of it might suitably be levied by making an increase in customs duties.

17833. 3 and 4. A revenue tariff has, of course, a certain protective effect. A revenue tariff should, as far as practicable, be a flat rate from which deviations should only be permitted on exceptional grounds. Leaving out, meantime, protection as an exceptional ground, revenue duties fall on two classes of goods, *viz.*:—

(1) those not produced in the country and not readily or quickly producible, *e.g.*, complete motor cars,

(2) those produced or manufactured in the country.

For class (1) the main consideration is revenue. If for example an 11 per cent. duty on motor cars so restricted their import as seriously to affect customs revenue a reduction in the rate of duty may be justified. If on the other hand an increase of the duty to 20 per cent. does not appreciably affect the

number of cars imported the increased revenue may justify the increase rate of duty. A tariff on the second class of goods, *viz.*, those produced or manufactured in the country (including those of which the production or manufacture can be quickly organised) must be considered from other points of view. The ideal, if we leave protection out of account, is again a flat rate. An 11 per cent. customs duty on imported cement may rapidly reduce the revenue from this source by stimulating the production of cement in India; this should not be accepted as a ground for the reduction of the import duty on cement. On the other hand, industrial developments in India render it desirable that the list of free imports (raw materials, manures, agricultural implements, dairy appliances and cotton yarn) and that of imports subject to 2½ per cent. duty only (machinery, iron and steel and railway plant and rolling stock) should be reconsidered. Without prejudging the results of a detailed investigation I illustrate my views by the case of iron and steel. The differential treatment of these commodities is a relic of the time when no steel was made in India and one of the original reasons for special treatment no longer exists. Machinery, railway plant and rolling stock are all being made to an increasing extent in India and the case for their exceptional treatment should at least be fully examined afresh especially as their raw materials, *viz.*, iron and steel are now produced in the country.

The manufacture of tea chests (three-ply vencer) and sheet lead, both subject to 2½ per cent. duty, has been introduced on a considerable scale in recent years. Of the free list, raw materials should probably remain but the reasons for making copra pay 11 per cent. as a "fruit" should be reconsidered. The retention of manures requires examination. In this Presidency 90 per cent. of the artificial manure in use is sulphate of ammonia which is now produced in India to an extent in excess of the Indian demand. Indian production is not less than 3,500 tons annually. The Indian consumption is about 1,000 tons and the balance is exported. This manure, which is a by-product of the iron and steel works, might now be removed from the free list. The list of agricultural implements also requires revision; ploughs, for example, are now made in India. The case of cotton yarn is interesting. The imports are trifling compared with the Indian production of yarn. The imports did not originally compete with Indian production but the spinning of higher counts is now beginning in India. Finally imported yarn is a raw material of the highest grades of hand weaving. The interests of the mill spinners of the higher counts have to be weighed against those of the hand weavers and when these are nearly balanced the question is whether to preserve the vested interests of the hand weavers or to encourage the Indian spinning of higher counts by imposing an import duty, not necessarily the full 11 per cent., on imported yarn. This is a case where the output of the industry is the raw material of another. The imported yarn is however generally an essentially different article from anything produced in India and the inferiority of Indian raw cotton makes real competition between imports and Indian production unlikely in the near future. On the whole I should hesitate to disturb at present the vested interests of the hand weaver.

The low rate of 2½ per cent. for machinery also requires detailed consideration. There are special kinds of machinery, *e.g.*, cotton spinning and weaving machinery, where local manufacture is so distant that there will probably be no advantage to the country in raising the import duty on it at present. On the other hand if, as I understand, the local manufacture of jute machinery has made progress in Bengal there may be a case for modifying the existing tariff rate on jute machinery. Constant changes in a tariff are undesirable and though I advocate a flat tariff rate as far as practicable I think that existing interests should be carefully considered before modifying the current free and 2½ per cent. lists. Iron and Steel are probably the two materials for which special treatment now seems least justified.

17834. 5. I have examined briefly in a supplementary statement (Appendix 1) the progress of the most important industry in Bombay—the cotton spinning and weaving industry—under the existing tariff policy and the probable effect on this industry of a continuance of the existing policy and the present duties.

17835. 6 and 7. I am of opinion on principle to the imposition of an excise duty on an article manufactured in India merely on the ground that a customs duty is imposed on the same article from abroad.

17836. 8. It is possible to impose excise duties without raising the price to the consumer. For example when Indian production is short of the Indian demand the price of the Indian made article is regulated by the price of the imported article. Thus cement makers fix their prices so as to compete successfully with imported cement. Circumstances, including a customs duty on imported cement, may thus enable them to get a price distinctly above what would afford them a fair industrial rate of profit. In these circumstances an excise duty would be in the nature of an excess profits tax and would not raise the price of Indian made cement. When the price of cement in India is determined by free competition between Indian cement manufacturers an excise duty, if it did not affect competition with foreign cement, would raise the price to the consumer.

Protective Tariff.

17837. 9. The question is whether the tariff should be framed primarily with the object of fostering Indian industries. An answer to this question, whether yes or no, is liable to obvious misunderstanding. My views on the general question of a primarily protective as opposed to a primarily revenue tariff are as follows:—

A protective tariff necessarily stimulates industry but at a price. A heavy protective duty on imported piecegoods would bring large profits to the millowners, would almost certainly lead to improved wages to the mill operatives and would encourage the rapid erection of new cotton spinning and weaving mills. But for a long time this prosperity would be secured at the cost of enhanced prices paid by the consumers.

It is unnecessary to develop the general arguments in favour of free trade; they are well known. A country and a people have special facilities and capacities for producing certain classes of goods and are under natural and other handicaps in producing other classes of goods. On the whole it pays the country better to produce what it is adapted for and to obtain by trade what it is ill adapted to produce from those countries where circumstances may be roughly described as reversed. There are of course exceptional cases, the supreme exceptions being connected with conditions of self-defence.

17838. 10. The question is "Do you look forward to India becoming in time independent of other countries in regard to all her requirements of manufactured goods, or do you consider that there are certain manufactured goods for which she is always likely to be dependent on other countries?"

I do not regard the internal production of "all her requirements" as a practicable ideal for any progressive nation, any more than I regard the supply of all his necessities and luxuries by his own unaided efforts as a practicable ideal for a progressive civilised individual. I might go through the list of present requirements of India, obvious of the fact that year by year new requirements arise. At present India cannot possibly keep her railways running without importing large quantities of mineral lubricating oil and there is no prospect of these being produced locally in the future in sufficient quantity. But she could arrange in time to replace imported mineral lubricants by castor and other vegetable oils, and if, in addition, she decided to abandon the use of superheaters, she would, at the cost of much money and efficiency, meet "all her requirements" in lubricants. Similarly her supplies of kerosene are inadequate to meet her demands. No one can c-

fidently predict that fresh discoveries of Indian petroleum will fill the gap, but to meet "all her requirements" she can partially return to the conditions of the pre-kerosene period.

The use of the expression in the questionnaire "requirements of *manufactured* goods" seems to suggest however that there is some hope that, in the future, India will not use any article which has been manufactured in whole or in part, outside the country and that her only imports will be those raw materials of which her supplies are inadequate or non-existent. Thus she will no longer import manufactured lubricants but only crude petroleum (of which her own natural supplies are insufficient) which she will refine for herself. In the same way, she will import no copper but only copper ore (her own supplies being insufficient) and no nickel but only nickel ores (of which she has no supplies) and smelt these. Other instances might be cited but these remarks sufficiently suggest that the question has little relation to the actual existing conditions of industry and trade in India and their probable developments in the near future.

17839. 11, 12, 13 and 14. I agree that for purposes of self-defence it may be necessary specially to protect or otherwise assist certain industries. Those which supply lethal weapons, ammunition and the like are, however, already undertaken by Government.

17840. 16. There are hand industries which are doomed to extinction or practical extinction, *e.g.*, the Indian hand-made paper industry. Nothing can rescue this industry because the demand for the special class of paper which alone it can produce is declining. But if a hand industry can supply a demand it should be encouraged. The individual members of a hand industry are too poor, too uneducated and otherwise too ill-qualified to organise its improvements on their own account. Assistance, where practicable, must be organised by Government. For instance, co-operation among hand-loom weavers, slight as it still is, would not have attained its present dimensions without Government initiative and subsequent control and encouragement. Technical assistance, a much more difficult matter, must similarly be organised by departments of industries. My attitude towards the hand-loom industry is indicated in Appendix I.

Other hand industries of special interest in the Bombay Presidency are dying, calico printing, case in manufacture, bangle-making, lacquer work and the gold and silver wire and thread industry.

17841. 18. If a protective policy is adopted foreign (especially British) industrial firms are likely to establish themselves in India. I should not discourage such a movement, in many directions it deserves encouragement. It not only brings capital to the country, but it is the cheapest and most efficient way of introducing highly technical manufacturing processes into it.

17842. 19. One of the objections to a protective policy is the practical difficulty of reconciling divergent interests. It is not only a case of manufacturer *versus* manufacturer but of manufacturer *versus* consumer or of manufacturer *versus* agriculturist.

17843. 20. When an import duty is imposed, I consider that ordinarily it is passed on to the consumer in a rise of price.

17844. 22. The price paid by the consumer for the sake of developing industries under a protective policy is a factor not always easy to estimate. In general terms my view is that a flat tariff for revenue purposes, so long as it is not too high (for all high taxation is objectionable), is suitable for India and at the same time affords a certain measure of protection for its industries. If it is desired to give special aid to a particular industry I should, wherever possible, provide this aid directly, say by a bounty or bonus on production. The revenue tariff may be raised if necessary to provide funds for the bounty. The advantage of the bounty system is that it brings home sharply to the general tax-payer what the special assistance is actually costing the country.

17845. 23. Any duty, indeed any tax, which increases the cost of the necessaries of life should be avoided. These in the main are food and clothing.

Except sugar, which, though it is in increasing demand, is a luxury form of jagri, the food of the bulk of the people is produced in the country and the problem of a protective import tariff for the encouragement of agriculture does not arise. Recently the tendency has been in the other direction and the export of grains has been prohibited or controlled so as to keep down internal prices, at the expense of the agriculturist and for the benefit of the non-agricultural consumer. The latter includes the industrial worker whose wages move to an appreciable extent, with the cost of food. Any restriction on the export of foodstuffs from India therefore assists the industrialist. Recent circumstances have been exceptional but the precedent has been set. Whenever food prices tend to soar, whenever "bread riots" are feared we may expect that comparatively cheap food will be secured for industrial labour by restricting the export of food grains. The restriction is easy to impose; the agriculturist is not very articulate; and protests against the restrictions come more readily and are made more skilfully by the merchant exporter than by the agricultural producer.

These circumstances invest the question of protection for the cotton spinning and weaving industry with special interest. Clothing is the second necessity of the masses. We have, in its case also, a precedent for a measure of control to secure for the masses cheap cloth at a time of high prices. But few, if any, contemplate the renewal of such control in the future. The tendency is to suggest a protective tariff on imported cloth so as to handicap it in competition with Indian made cloth. Whether a protective tariff of this kind is, at any time, in the general interests of the whole country can only be decided by a separate enquiry.

In Appendix I, I have given facts in support of the view that at the present time it is unnecessary to take special measures for the protection of the cotton spinning and weaving industry.

Export Duties.

17846. 30. I think that export duties should be used primarily for the purpose of raising revenue.

31. The tendency is for export duties to restrict the export trade. If they can be imposed without raising export prices or if an increase in price can be taken without diminishing demand the export trade may not be injured. An export tax on hides and on many kinds of raw material—agricultural and forest produce, minerals, etc., may not raise f. o. b. prices when there is a "world price." But in this case the producer in India will obtain a less return and this may affect production and thereby the export trade. In the case of a monopoly like jute, it may be possible to transfer the whole of the export tax to the foreign buyer.

17847. 32. I have no suggestions to make for the imposition of export duties on raw material to encourage their retention in India. I am doubtful for example, of the advantage to the country as a whole of the export tax on raw hides and skins. The effect of this tax, levied *ad valorem* on a *tariff valuation* is to encourage the export of the best hides and to retain for use in India the inferior grades since in actual practice a higher percentage is taken on the inferior than on the superior hides. When a sudden fall in the market occurs the tax on inferior hides may stop their export altogether till the tariff valuation is adjusted. Again an export tax on oil-seeds would not have any appreciable effect on the Indian vegetable oil industry. Already 75 to 80 per cent. of the oil-seed production of India is crushed in the country and the imports of oil and oil products (*e.g.*, soap) are equivalent to less than 35,000 tons of seeds which is much less than the capacity of a moderately sized mill such as that at Ernaculam. The exports of linseed are heavy in comparison with its yield, being 68 per cent. of its yield for the seven years ending 1919-20 as compared with 11 per cent. for rope, mustard and sesamum and 15 per cent. for groundnut. But linseed is not an Indian monopoly. India's share of the world's linseed production has been steadily declining for many years and an export tax would merely discourage its production by the Indian cultivator to the advantage of the farmers of the Argentine, United States of America and Canada where linseed production has been steadily expand-

ing during the period that it has been practically stationary in Russia and India.

17848. 33. I am opposed to export duties on foodstuffs and generally on all agricultural produce, when the object is to lower Indian prices. In an exceptional crisis exceptional measures may be permitted, but India is primarily an agricultural country and her agriculturists, who form the great bulk of the people, should have free access to every market. The effect of lowering the Indian prices of Indian foodstuffs must be to diminish the prosperity of the agriculturist. The only compensation is that by lowering the cost of living in India the working costs of other industries will be diminished; it does not follow that the prices of the output of these industries will be kept correspondingly low or that the agriculturist will benefit by such low prices. For example, by keeping down the price of foodstuffs the cost of manufacture of cement may be kept low but the manufacturer will naturally take just as large a price as he can get in competition with foreign cement. If any event cheap cement has little practical interest for the Indian agriculturist.

C.—Manufactures.

17849. 43. As Director of Industries I am interested in all local industries and shall be glad to answer any enquiries or collect any information about these.

APPENDIX I.

The Cotton Spinning and Weaving Industry.

17850. 1. The history of the import and excise duties affecting this industry is as follows:—

1894, December—Five per cent. customs duty *ad valorem* imposed on imported cotton goods yarns.

Five per cent. excise duty imposed on all yarns over 20's spun at power mills in British India.

1896, February.—Yarns, imported or manufactured, freed from duty. Three and-a-half per cent. duty *ad valorem* imposed or manufactured in India at power mills.

1916, March.—Customs duty on cotton manufactured (excluding yarn) raised to 7½ per cent.; excise duty unchanged.

1921, March.—Customs duty on cotton manufactures (excluding yarn) raised to 11 per cent., excise duty unchanged.

2. In considering the accompanying statistics and graphs the period from 1914 onwards must be considered as exceptional.

Mills could not expand as new machinery could not be obtained.

The increase in Indian production and the decrease in imports were both phenomenal and due to quite exceptional causes.

The effect of the existing tariff policy on the Indian mill industry in the past can only be estimated accurately up to 1914.

Cotton Spinning.

17851. 3. Spindles increased very steadily from 1889 to 1914 at the rate of 5·6 thousand annually making a total increase of 145 per cent. for the whole period of 26 years.

For the period 1900—1914, the rates of increase of spindleage in various countries have been—

	per cent.
United Kingdom . . .	24
France	35
India	37
Germany	44

4. Yarn production increased between 1896 and 1906 even more rapidly than spindleage and thereafter the returns are nearly stationary. The figures of cotton consumption taken with those of yarn production show, however, that the output of the spinning mills in 1914 had kept pace on the whole with the increased spindleage.

5. Yarn imports are small with a tendency to decline after 1898. In 1914, when they were higher than usual they were a little over 6 per cent. of Indian yarn production.

Cotton Weaving.

17852. 6. Between 1889 and 1914 looms increased at an average rate of 15 thousand annually making a total increase of 395 per cent. for the whole 26 years. In the last eight years of the period the annual rate of increase was 30 thousand and the total number of looms exactly doubled.

17853. 7. The output of cotton cloth has likewise steadily increased and the graph shows clearly that the rate of increase since 1906 has been appreciably greater than before this year.

17854. 8. Imports of piecegoods (re-exports negligible) were practically stationary before 1904, and thereafter there was a marked increase culminating in the peak years of 1913 and 1914. It is fairly clear from the combined total of imports and Indian production in 1915 that the 1913-14 imports were abnormal. But it is interesting to note that over their best period, *viz.*, 1904-14, imports increased by 55 per cent., while Indian production increased by 100 per cent. For any other period the comparison is still more favourable for Indian production.

17855. 9. Since 1914 the import duty has been raised from 3½ to 11 per cent., and the Indian Industry is at present prosperous. A few years are required before fresh machinery can be installed in India and the full effects of the new conditions can be guaged. The Indian consumer still must depend to a greater extent on imported cloth and the supply to India of machinery sufficient to produce cloth equal in amount to present imports, will require a very long period. Moreover it has been estimated that 75 per cent. of the imports do not compete directly with the output of the Indian mills. On balance, existing circumstances indicate that a further measure of protection for the cotton spinning and weaving mills is at present unnecessary.

Hand Weaving.

17856. 10. It is not uncommon still to see the hand weaving industry referred to as if it were a dying craft. The fact is that one quarter of the cotton cloth annually consumed in India is still woven on Indian handlooms. In recent years the true facts regarding the hand loom industry have been elicited and the belief that it is declining has been refuted. In an appendix to their report the Indian Industrial Commission gave statistics showing the consumption of yarn by hand-loom in India during the twenty years ending 1915-16. These showed that there was a steady rise in the consumption of yarn on Indian hand-looms throughout this period and that the amount used in the five years ending 1915-16 was nearly 30 per cent. greater than during the five years ending 1900-01. In "Notes on the Indian Piece Goods Trade" by A. C. Coubrough, C.B.E., recently published by the Government of India in their series of Bulletins on Indian Industries and Labour the author gives further statistics to show that Indian hand-loom production from 1905 to 1915 equalled the mills in the rate of its increased production. The statistics are appended to this note and also shown graphically. They do not take accounts of the important silk weaving industry.

17857. 11. It is interesting to note that at a conference recently held at Patna of textile experts and others who had a long acquaintance with the hand weaving industry the opinion was recorded that the hand weaver competes successfully with the mills not merely in the production of fine fabrics but also in the output of the coarser counts and that it is in the

weaving of the medium counts that mill competition is mostly felt. The popular opinion is that the hand-loom industry survives chiefly by producing the fine materials and the patterns which are outside the range of mill production.

17858. 12. At the all-India Hand Weaving Exhibition recently held at Patna statistics for the province of Bihar and Orissa and its feudatory States showed that there were 163,000 hand-looms producing annually nearly five crores worth of cloth, mostly woven from coarse counts (12's 16's and 20's). That the province is poor is shown by the fact that the average consumption of cloth per head of population is Rs. 3-4 as compared with the all-India average of Rs. 6. It would appear to be an ideal market for the mill industry yet the hand-weaver provides 40 per cent. of its total requirements of cotton cloth.

17859. The hand-loom weaver can be assisted by introducing improved appliances for his operations. The most striking instance of the aid thus afforded is that of the fly shuttle. This is believed to have been introduced into India by the Dutch but its use remained restricted until Sir Alfred Chatterton organised its widespread introduction in the Madras Presidency. Since then its use has been taught and spread by practically every Department of Industries in India. At a modest estimate it increases the hand-loom weaver's output by 40 per cent.

17860. 14. There are other means of increasing and improving the hand-weaver's production and these are gradually being made known by the Department of Industries.

17861. *Cotton Spinning Mill Industry 1889 to 1921.*

Year.	Number of spindles.	Cotton consumed.	Yarn spun.	Yarn exports.	Yarn imports.
	thousands.	Cwt. thous.	lbs. mill.	lbs. mill.	lbs. mill.
1889	2769 (100)	3110 (100)	..	129 (100)	52·5 (100)
1890	3274 (118)	3529 (113)	..	142 (110)	46 (88)
1891	3352 (121)	4126 (133)	..	169 (131)	51 (97)
1892	3402 (123)	4080 (131)	..	161 (125)	50 (95)
1893	3575 (129)	4098 (132)	..	189 (146)	38 (72)
1894	3650 (132)	4278 (137)	..	134 (104)	43 (82)
1895	3810 (134)	4695 (151)	..	159 (123)	41 (78)
1896	3933 (142)	4932 (158)	432 (100)	184 (143)	46 (88)
1897	4066 (147)	4553 (146)	423 (98)	196 (152)	50 (95)
1898	4269 (154)	5184 (167)	462 (107)	200 (155)	58 (110)
1899	4728 (171)	5863 (189)	512 (118)	220 (170)	45·5 (87)
1900	4946 (179)	5086 (163)	514 (119)	240 (186)	42·6 (80)
1901	5007 (181)	4731 (152)	353 (71)	118 (91)	34·8 (66)
1902	5007 (181)	6177 (199)	573 (133)	272 (211)	38 (72)
1903	5043 (182)	6087 (196)	576 (133)	249 (193)	34 (65)
1904	5118 (185)	6106 (196)	576 (134)	253 (196)	28 (53)
1905	5163 (186)	6577 (211)	578 (134)	248 (192)	31 (59)
1906	5280 (191)	7082 (228)	681 (158)	298 (231)	46 (88)
1907	5333 (192)	6930 (223)	654 (151)	244 (189)	37 (70)
1908	5756 (208)	6970 (225)	638 (147)	216 (167)	37 (70)
1909	6053 (219)	7381 (237)	657 (152)	235 (182)	41·5 (79)
1910	6196 (224)	6772 (218)	627 (145)	227 (176)	40 (76)
1911	6357 (230)	6670 (214)	610 (141)	183 (142)	32·5 (62)
1912	6463 (233)	7175 (231)	625 (145)	151 (117)	42 (80)
1913	6596 (238)	7336 (236)	688 (159)	204 (158)	50 (95)
1914	6778 (245)	7500 (241)	682 (158)	198 (153)	44 (84)
1915	6848 (247)	7359 (236)	652 (151)	134 (104)	42 (80)
1916	6839 (247)	7692 (247)	722 (167)	160 (124)	40 (76)
1917	6738 (244)	7693 (247)	681 (158)	160 (124)	29 (55)
1918	6654 (240)	7299 (235)	660 (152)	122 (95)	19 (36)
1919	6690 (241)	7154 (230)	615 (142)	64 (50)	38 (72)
1920	..	..	636 (147)	131 (102)	15 (29)
1921	..		660 (153)	..	47 (89)

17862. *Cotton Weaving 1889 to*

Year.	Number of power looms.	Cotton cloth manufactured in India on power looms.	
	thousands.	lbs. mill.	yds. mill.
1889	21 (100)	..	..
1890	23 (109)	..	.
1891	24 (114)	..	..
1892	25 (119)	..	
1893	28 (133)	..	
1894	31 (147)	..	..
1895	35 (166)	..	..
1896	37 (176)	..	..
1897	37 (176)	83 (100)	346·6 (100)
1898	38 (181)	91 (110)	382 (110)
1899	39 (186)	102 (123)	428 (123)
1900	40 (190)	98 (118)	412 (118)
1901	41 (195)	99 (119)	416 (119)
1902	42 (200)	119 (143)	500 (119)
1903	44 (209)	123 (148)	517 (148)
1904	45 (214)	138 (166)	580 (166)
1905	50 (238)	159 (192)	668 (192)
1906	52 (248)	164 (198)	689 (198)
1907	58 (276)	166 (200)	697 (200)
1908	67 (319)	189 (228)	794 (228)
1909	76 (362)	192 (231)	806 (231)
1910	82 (390)	229 (276)	962 (276)
1911	85 (400)	246 (296)	1033 (296)
1912	88 (419)	267 (322)	1121 (322)
1913	94 (448)	285 (343)	1197 (343)
1914	104 (495)	277 (334)	1164 (334)
1915	108 (514)	271 (326)	1136 (326)
1916	110 (524)	343 (413)	1441 (413)
1917	114 (543)	377 (454)	1578 (453)
1918	116 (552)	381 (459)	1614 (463)
1919	118 (562)	350 (422)	1450·7 (416)
1920	..	386 (465)	1640 (470)
1921	..	370 (446)	1580 (453)

17863. *Mill Industry 1921,*

Year.	Cotton cloth manufactured in India on hand-looms.	Cotton cloth imports.
	yds. mill	yds. mill.
1889	..	2126 (100)
1890	..	1997 (94)
1891	..	2014 (95)
1892	..	1882 (89)

Year.	Cotton cloth manufactured in India on hand-looms.	Cotton cloth imports.
	yds. mill.	yds. mill.
1893	..	1808 (85)
1894	..	2129 (100)
1895	..	2257 (106)
1896	..	1715 (81)
1897	808 (100)	1997 (94)
1898	951 (118)	1861 (88)
1899	984 (122)	2069 (97)
1900	905 (112)	2191 (103)
1901	722 (89)	2002 (94)
1902	920 (114)	2190 (103)
1903	1000 (124)	2107 (99)
1904	920 (114)	2032 (96)
1905	872 (108)	2287 (108)
1906	1128 (140)	2463 (116)
1907	1196 (148)	2318 (109)
1908	1160 (144)	2532 (119)
1909	1165 (144)	1993 (94)
1910	950 (118)	2192 (103)
1911	990 (123)	2308 (109)
1912	1100 (136)	2438 (115)
1913	1100 (136)	2986 (140)
1914	1130 (140)	3159 (149)
1915	1300 (161)	2418 (114)
1916	1200 (148)	2117 (100)
1917	840 (104)	1850 (87)
1918	870 (108)	1522 (71)
1919	1130 (140)	1096 (51)
1920	610 (75)	1060 (50)
1921	1180 (146)	1490 (71)

The Commission met at 3 o'clock after lunch and R. D. BELL, Esq., Director of Industries, Bombay, was called in and examined.

17864. *President.*—*Q.* Mr. Bell, you are Director of Industries, Bombay?

A. Yes.

17865. *Q.* You say that you generally favour a policy of free trade?

A. Yes.

17866. *Q.* Will you please explain whether you favour it as a general principle or whether you think that it is the best policy for India?

A. Both.

17867. *Q.* What are the special reasons why you think free trade is the best policy for India?

A. I think that any customs tariff acts as a barrier to some extent. It is an obstacle to trade.

17868. *Q.* Is this general policy good for the whole world? I want to know whether, in your opinion, there are any special conditions which particularly and specially apply to India and which make a policy of free trade more suitable to India than to other countries.

A. When I say "more suitable" I am speaking from the point of view of trade. There may be other reasons, say political or, in the broad sense, reasons of self-defence, which make it desirable or essential that there should be certain industries in the country.

17869. *Q.* Do you think that the industrial development of a country is advantageous economically to that country?

A. Certainly it is.

17870. *Q.* Do you think it is possible to secure industrial growth and development in India under free trade?

A. I think so.

17871. *Q.* Will you please tell us how free trade will help the growth and development of industries on future principles?

A. I prefer to put it the other way. I do not see what is to prevent the development of industries under free trade. I have stated in my evidence that

protection undoubtedly does stimulate industrial development, *but at a price.*

17872. *Q.* Can you name any country in the world which has successfully established industries on a large scale under free trade principles?

A. England, Sir.

17873. *Q.* Do you think England established industries under free trade? Or did it start with protection and then go over to free trade?

A. It developed under free trade.

17874. *Q.* It established industries under protection. That is the evidence we have received.

A. It depends on what you imply by the word "establish." Your industries are established now in India.

17875. *Q.* Do you think that India can be called an industrial country?

A. Predominantly, no. But there are industries established in India.

17876. *Q.* I know that England became predominantly industrial under protection (that is what I understand from the evidence placed before us) and then adopted free trade principles.

A. I am not aware of the facts on which your statement is made.

17877. *Q.* Leaving England alone, can you name any other country that has become predominantly industrial by means of free trade principles?

A. No, Sir.

17878. *Q.* Keeping England on one side, practically every country has had recourse to protection in the establishment and development of industries. That being the case, why should India alone be expected to develop industries under free trade principles. That is why I asked you whether you could name any special conditions which are present in India to secure the object which you think is desirable.

A. I do not accept the view that if the other countries had not introduced protection they would never have established industries.

17879. *Q.* In your opinion all those countries which adopted protection as a condition precedent to their becoming industrial countries adopted a mistaken policy.

A. I should prefer to say that they forced their industrial development into certain lines which are not necessarily natural lines of development.

17880. *Q.* Can you name any country which has followed what you regard to be the natural lines of development?

A. No, excepting England.

17881. *Q.* As regards England we have had contradictory evidence and so let us not talk of England. If America, Germany or Japan had all gone for protection as necessary for the development of their industries, India could only accept the free trade policy if there were any special conditions which made the free trade more adaptable to the goal in view. Do you know of any such conditions?

A. No, Sir. I am not prepared to say that I do.

17882. *Q.* You say in your answer to questions Nos. 3 and 4 that "On the other hand, industrial developments in India render it desirable that the list of free imports (raw materials, manures, agricultural implements, dairy appliances and cotton yarn) and that of imports subject to 2½ per cent. duty only (machinery, iron and steel and railway plant and rolling stock) should be reconsidered. Without prejudging the results of a detailed investigation I illustrate my views by the case of iron and steel. The differential treatment of these commodities is a relic of the time when no steel was made in India and one of the original reasons for special treatment no longer exists." Do you mean that therefore the duty on iron and steel should be raised and made uniform on the basis of 11 per cent.?

A. Not necessarily, Sir. I meant to suggest by these remarks that taking the primary object of tariff to be the raising of revenue it is worth while considering whether the revenue should not be distributed over the different articles in a way different from what is now done. At present iron and steel bear relatively small proportion of the total charge. The question is whether there is now any reason for that from the revenue point of view. I have not attempted to argue out that there is, except to state that at the time when they were given special treatment, the circumstances were different from what they are now.

17883. *Q.* You think that the case for differentiation no longer exists.

A. I am not prepared to say that. I simply said that they required reinvestigation.

17884. *Q.* Under reconsideration what would you recommend? Reconsideration is of very little value unless you offer any definite suggestion?

A. That all depends on the amount of revenue which it is desired to raise. For instance if more revenue is desired to be raised I can see no reason why the duty on some of the articles which bear a lower rate at present should not be raised in preference to the raising of the 11 per cent. duty. I don't think that the raising of the duty on iron and steel and certain classes of machinery would diminish the imports.

17885. *Q.* You are dealing with it purely from the point of view of revenue.

A. Yes.

17886. *Q.* Have you considered that the import duties even for revenue purposes do indirectly serve the purpose of giving some sort of protection?

A. Yes.

17887. *Q.* You don't object to it.

A. It is inevitable. The difference is this that in the case of a revenue duty, you think twice before you impose such a duty as will reduce the amount of your imports. In the case of a protective duty, what you are aiming at is less imports.

17888. *Q.* How long have you been in charge of the Directorship of Industries of this Presidency?

A. Three years.

17889. *Q.* During that period can you tell us your experience as to what development of industries has actually taken place in this Presidency?

A. Well, there has been rather a slump here, as all over the world.

17890. *Q.* Last year it was a boom year. A very large number of companies were floated.

A. That was in 1920, not 1921, but a great many of these companies are being wound up. Some of them are going on.

17891. *Q.* Even admitting that the development of industries is a very desirable thing for India, you still think that no measures should be taken to stimulate the establishment of industries either by way of protection duties, by subsidies or by bounties or any other protective measures?

17892. *A.* Not as a general policy. As I have said special exceptions from other points of view would have to be made.

17893 *Q.* What other points?

A. I have mentioned that there is the supreme case of self-defence.

17894. *Q.* That is to say you would make exceptions only in the case of key industries, that is industries which are of national importance.

A. That is an arguable case.

17895. *Q.* You think that it is an arguable case. Even key industries you would not protect.

A. A good deal of dispute exists as to what constitutes a key industry.

17896. *Q.* I therefore used the words "industries of national importance."

A. That is also a term of which I have not got a definition. I was thinking especially of the manufacture of the munitions and weapons. The country which depends for its armaments on purchase from foreign powers is obviously insecure.

17897. *Q.* Only in that particular case you would depart from your rigid principles of free trade.

A. I think so.

17898. *Q.* And in no other case.

A. No.

17899. *Q.* In answer to question 16, you say "The individual members of a hand industry are too poor, too uneducated and otherwise too ill qualified to organise its improvements on their own account. Assistance where practicable must be organised by Government." Is this consistent with the free trade principles?

A. I think so.

17900. *Q.* I was under the impression that free trade meant leaving industries to develop as best they can, that is that Government assistance ought not to be given in any way.

A. I did not intend to convey that meaning at all in my evidence.

17901. *Q.* Why should Government assist the handloom industry and no other industry?

A. I don't mean to suggest that Government should not give assistance of a similar kind to other industries but organised industries are as a general rule better able to give assistance to themselves than Government are.

17902. *Q.* You would accept the principle of Government aid in certain cases even in regard to handloom industry and similar industries.

A. In talking of protection I was thinking of the form of protection which prevents competition with foreign manufactures. The assistance which I am suggesting for the hand industries is what I may call internal assistance.

17903. *Q.* That is why I asked you directly whether you would agree to any form of protection either by means of tariff or by bounties or by subsidies or otherwise and you said 'no.'

A. I said 'no fiscal protection.' The protection which I am suggesting for hand industries is not fiscal, but is technical advice and similar assistance provided by Government organisation. You can not say that when Government give assistance in the formation of co-operative credit societies they are following a fiscal policy. That is not the meaning I attach to the word.

17904. *Q.* What difference in principle do you make between technical assistance of highly qualified Government officers helping a hand and cottage industry and the technical assistance to manufacturing industries?

A. I don't exclude technical assistance to other industries being given provided Government are capable of giving it.

17905. *Q.* Would you recommend Government engaging at Government expense highly qualified experts to render technical assistance to new industries or to establish new industries.

A. If it were a commercial proposition, certainly; that is to say if the benefit to the industry were commensurate with the expense incurred by Government.

17906. *Q.* I can not follow that.

A. The highly qualified industries can usually look after their technical interests better than Government can.

17907. *Q.* If they need technical assistance not in carrying out their processes every day but technical advice or assistance, would you be in favour of giving it?

A. Certainly. It is already done. That is one of the objects of the Central Cotton Committee for instance.

17908. *Q.* Do you think that this is consistent with the free trade principles?

A. Yes.

17909. *Q.* I am glad to know that. In answer to Question No. 32, you say "I am doubtful, for example, of the advantage to the country as a whole of the export tax on raw hides and skins. The effect of this tax, levied *ad valorem* on a tariff valuation is to encourage the export of the best hides and to retain for use in India the inferior grades since in actual practice a higher percentage is taken on the inferior than on the superior hides." We won't go into the question whether an export duty on hides and skins should be levied or not. I want to ask your opinion as to the principles in actual working of *ad valorem* duties on a tariff valuation. That you think is not a sound proposition so far as hides and skins are concerned.

A. In this particular case it has affected the tanning industry unfortunately.

17910. *Q.* Would not that be the effect on all industries? If a tariff valuation is fixed, prices fluctuate. The incidence of the tax would be lowered or increased according to the fluctuation.

A. That was not my point, which was this. If the tariff valuation is 9 annas a pound and 15 per cent. is taken on that, in the case of the superior hides which for the sake of argument we may say are worth twice 9 as. a pound the tax is reduced to 7½ per cent., whereas on the inferior hides which are worth only 4½ annas per lb. it becomes 30 per cent.

17911. *Q.* Would not that be so in regard to all cases?

A. Not in all cases, but in many cases.

17912. *Q.* In all cases where the qualities differ.

A. It is a practical difficulty.

17913. *Q.* What would you suggest? Supposing the export duty is levied, what do you think should be the equitable basis of levying tax on hides and skins?

A. I am not sufficiently acquainted with the difficulties of the Customs administration to give an opinion.

17914. *Q.* But your bringing this view to the notice of the Commission under your answer to Question No. 44 has some object.

A. One object is to show the kind of practical difficulties that arise from applying a protective tariff.

17915. *Q.* What has a protective tariff to do with this? I understand that your criticism is in regard to the system of tariff valuation; that being uniform for different qualities, the best hides are exported and the inferior hides are left behind. What connection has this with the protective tariff?

A. I regard the export duty on hides and skins as a protective tax. It was introduced as a protective tax to help the tanning industry.

17916. *Q.* Supposing the hides and skins were of a uniform quality and a 15 per cent. duty was levied, there would be no complaint. Assuming for the sake of argument that every hide and skin at present exported had a uniform quality and a uniform price, then this difficulty would not arise, would it?

A. This particular difficulty would not arise.

17917. *Q.* Then whether it is a protective duty or a revenue duty would not matter.

A. What matters is the difficulty of imposing the duty on a tariff valuation.

17918. *Q.* The difficulty which you have pointed out appears to be—please correct me if it is not so—the system by which this duty is levied. I don't see any connection between this and the protective tariff.

A. The difficulty arises equally whether the duty is levied for purely revenue or for protective purposes.

17919. *Q.* Exactly. Therefore the question of protection or free trade does not come in.

A. The result remains the same. In either case it encourages the export of the best class of hides and skins and leaves the worst hides to the Indian tanner.

17920. *Q.* Because the system is such. Under the system which is adopted for the collection of the tax, the incidence of the 15 per cent. duty varies considerably according to the different qualities. That is the defect of the system. It has nothing to do with the duties either protective or revenue?

A. (No answer).

17921. *Mr. Narottam Morarjee.*—*Q.* In answer to Questions No. 3 and 4 you say "An 11 per cent. customs duty on imported cement may rapidly reduce the revenue from this source by stimulating the production of cement in India; this should not be accepted as a ground for the reduction of the import duty on cement." Now if you are prepared to recommend such an intricate method of protection what makes you diffident about a definite protective policy?

A. But it is impossible to have a revenue tariff without having a certain protective effect. That is a different matter from imposing your tariff purely for protective reasons in order to restrict foreign competition.

17922. *Q.* But then you would recommend to a certain extent some definite policy or you might call it as discriminating.

A. All taxation comes out of my pocket. That is no reason why I should acquiesce in people taking money out of my pocket for the sake of keeping alive unprofitable industry.

17923. *Q.* Is this not being done in other countries to encourage their own indigenous industries where they have got raw materials.

A. Oh, yes.

17924. *Q.* Then you say ploughs are made for example in India.

A. Yes.

17925. *Q.* Do they make any agricultural implements in India besides ploughs?

A. Only a few.

17926. *Q.* Do you know that factories are being started to make pickaxes, shovels, etc.?

A. I know, but they have not commenced work yet.

17927. *Q.* In answer to Question No. 8, you say "Cement makers fix their prices so as to compete successfully with imported cement. Circumstances, including a customs duty on imported cement, may thus enable them to get a price distinctly above what would afford them a fair industrial rate of profit. In these circumstances an excise duty would be in the nature of an excess profits tax and would not raise the price of the Indian made cement." If you think that the excise duty is an excess profits tax, what about those concerns when they make losses. Would you exempt them when they are making losses.

A. You are asking for my opinion on the principle now.

17928. *Q.* Yes, in particular about the cement and generally about the cotton industry? You say that the excise duty is in the nature of an excess profits tax.

A. The Commission asked whether an excise duty could be imposed without raising the price to the consumer and I have simply explained the circumstances in which I think it can be done.

17929. *Q.* Supposing the concerns are not making profits, would it be fair to charge an excise duty?

A. Well, in one sense it is not fair. It may be inevitable to certain times or for individual firms. You might as well exempt importers from customs duties when they are losing.

17930. *Q.* In answer to Question No. 9 you say "A country and a people have special facilities and capacities for producing certain classes of goods and are under natural and other handicaps in producing other classes of goods." Do you consider Japan's policy of manufacturing textiles a mistaken policy, as it has no raw materials of its own?

A. No, I don't think so. A great deal depends on the labour supply and other factors. Raw material is not the only factor in the case of an industry.

17931. *Q.* Japan takes cotton from India and brings back cotton manufactures to India. So, would you not give protection to the Indian industries?

A. First of all I should try and find out why it is that Japan can take cotton all the way from India and bring it back here in the shape of manufactured goods.

17932. *Q.* Do they not get protection?

A. They don't get their freights paid. It still costs money to take raw cotton and bring back manufactured goods.

17933. *Q.* As Director of Industries, you must have tried to find out?

A. We know that they have protective duties but that does not protect them in the matter of freight.

17934. *Q.* Have you found out how they are able to make these articles cheaper and dump them into India?

A. I have made no special enquiry.

17935. *Q.* In answer to Question No. 18 with regard to foreign capital you say "It not only brings capital to the country, but it is the cheapest and most efficient way of introducing highly technical manufacturing processes into it." In view of past experience would you not insist upon the foreign firms training up Indians?

A. I am not quite sure what you are leading to.

17936. *Q.* Take the case of the jute mills. You won't find a single Indian as jute spinning or weaving master.

A. Take the case of cotton mills. Large numbers of Indians are employed there in responsible positions. I have always understood that Indians are not more commonly employed in jute mills because people on the other side have not the same natural instinct for industry as on the Bombay side. In the jute mills even labour is becoming less and less Bengali and is drawn more and more from up-country.

17937. *Q.* With regard to higher appointments very few Indians are employed as spinning masters or as weaving masters in jute mills.

A. Well, I cannot account for it.

17938. *Q.* But supposing foreigners were allowed to come in and establish concerns here, would you insist upon their training up Indians.

A. The practical difficulties might be considerable.

17939. *Q.* Even for training them?

A. I don't see why it should be contemplated that there would be objection to training them up. I think that it is rather the other way. They would only be too glad to get capable Indians.

17940. *Q.* There are a good many Indians willing to go into the jute mills.

A. I cannot speak for the jute mills.

17941. *Mr. Coyajee.*—*Q.* In your answer to Question No. 8 you give us a case in which an excise duty can be imposed without raising the price to the consumer. Now, how far does that reasoning apply to the cotton excise duty? Does it fall on the consumer or does it not?

A. Well, at the present day it does not fall on the consumer. Very large profits are being made by the mills.

17942. *Q.* Is the implication that whenever less profit is made the duty will fall on the consumer?

A. It is always difficult to state quite definitely who bears such duties. But my point was rather this: that if you take 10 per cent. as a fair rate of industrial profit in India, you might naturally expect that when prices bring in 20 per cent. profit to an industrial concern and an excise duty is imposed on its production then this duty might quite easily fall on the producer. But in the case of a struggling industry which was only making 5 per cent. profit, the producer would make every effort to pass it on to the consumer.

17943. *Q.* A gentleman this morning said that the effect of the import duty is to raise the price of the local manufactures, because the import duty checks the foreign imports and therefore raises the price of local supplies. Consequently the profits of the local producers rise and therefore the excise duty does not fall on the consumer. What is your view?

A. Well, in the average case it all depends whether the Indian production is sufficient to meet the demand. Take the case of cement. There is at present no free competition between the Indian cement factories because they are in no way able to meet the demand, and therefore, they can regulate the price according to the price of the imported cement and make more than a fair rate of industrial profit. They can raise their price to a level as high as foreign competition allows them, irrespective of any excise duty.

17944. *Q.* In para. 9 of your appendix, you say: "On balance, existing circumstances indicate that a further measure of protection for the cotton spinning and weaving mills is at present unnecessary." Will you kindly state your grounds for holding that view? Is it mainly on the present shortage of supply and high prices that you base your statement?

A. I have not looked at it from that point of view. Protection, as I understand it, endeavours to create certain conditions which would stimulate industrial enterprise, that is internal market conditions. Well, the internal piecegoods market conditions at the present time and for some time to come are likely to be favourable to the Indian spinning and weaving industry.

17945. *Q.* But of course the chief condition is the present shortage of supply, which is about 80 per cent. of the local production. If you look at the figures you have given, you will find that the imports have fallen from 3,159 million yards in 1914 to 1,490 in 1921. It leaves you a shortage of 1,669 million yards. From that shortage we take off 416 million yards, because the local production has risen by that amount. Therefore, there is a shortage of 1,253 million yards, which is about 80 per cent. of the local mill production. That shortage is the circumstance to which you refer?

A. Yes.

17946. *Q.* Now, as to iron and steel you have made a remark that the import duties on iron and steel might be raised. What is the extent to which you are prepared to raise the duty under the present circumstances? You know that our steel industry is being hit by a lot of cheap production abroad. Under these circumstances don't you think the steel industry has some claim for special help?

A. You are asking me a question from the protectionist point of view. I did not state the case from

that point of view at all. I was discussing the distribution of the total amount which it was necessary to raise for revenue purposes from the total body of imports, and I stated that the users of imported steel and iron were treated somewhat too favourably. There is no reason why the users of imported steel and iron should be favoured more as compared with the users of other imported materials, the local industry also at the same time suffering.

17947. *Q.* Since you have argued that because the cotton industry is flourishing you would not give it extra protection, does it not follow on the other hand that if an important industry is suffering something should be done to help it?

A. I would like it to get some protection, but it need not necessarily take the form of a protective duty. Why not have a direct levy from the tax-payers and hand it over to the industry?

17948. *Q.* You mean a bounty?

A. Yes.

17949. *Mr. Seshagiri Ayyar.*—*Q.* Please refer to your answer to Question No. 8. I take it that your general view is that it is possible that an excise duty can be so levied as not to tax the consumer?

A. No. I say under certain circumstances if you levy an excise duty it will not fall on the consumer.

17950. *Q.* You say: "For example, when Indian production is short of the Indian demand the price of the Indian made article is regulated by the price of the imported article." I believe the converse is also true, *viz.*, when the Indian article is sold at particularly low prices the foreign exporter would take care to put his article into the market at the same rate as the local article?

A. The converse is also true, to some extent.

17951. *Q.* If the converse is true, then if by not imposing an excise duty Indian manufacturer is able to put in the market an article at a lower rate, would not that be an advantage to the consumer? If an excise duty is not levied on Indian cement, the Indian producer would be able to put in the market his cement at a lower rate than he would if there was an excise duty.

A. He could, but he does not do it.

17952. *Q.* If there is a duty, certainly there will be a temptation to get higher prices. I am talking about ordinary human intelligence.

A. The fact about cement roughly is that the cement production of India is not more than half the demand. Let us suppose that the foreign manufacturer cannot put cement in the country under Rs. 80, whereas the Indian manufacturer could sell it at Rs. 60 and still pay a dividend of 10 per cent. He is not so altruistic as to do that, but he sells his cement at Rs. 80 or at such price as he can get in competition with the foreign cement. If, in these circumstances, you put an excise duty he cannot put up his price any further because the foreign manufacturer will then beat him in price.

17953. *Q.* If there is no excise duty would not the Indian producer sell at a lower price and the foreign manufacturer bring down his price so as to compete with the Indian producer?

A. In ordinary times when there is free competition the foreign manufacturer puts it in the country at as low a price as he can possibly sell it. He won't bring his price down to Rs. 70 because it would be a loss to him.

17954. *Q.* If there is competition he would try to get some profit rather than go without any profit?

A. Normally, when there is competition the price of the imported article cannot be brought down very much further.

17955. *Q.* Supposing there is a local article which would sell at Rs. 20 and the importer has been putting it at Rs. 25 and he makes a profit of about Rs. 7, would he not like to have Rs. 2 only as profit by selling his article at Rs. 22?

A. As long as there is a profit he will be willing to bring the price down.

17956. *Q.* So your proposition that an excise duty can be levied without detriment to the consumer cannot hold good.

A. I have explained my point.

17957. *Q.* You have not convinced me anyhow. Leaving that point, I shall come to the general question. You will admit, Mr. Bell, that India has had a free trade policy ever since the British came here, and that she has not industrially advanced very much under this free trade policy.

A. She is still primarily an agricultural country, but I think the rate of industrial progress is very good. I should describe it as fairly satisfactory. India's industrial development has at any rate been a great deal faster than her railway development. Her railways cannot at present meet the demands of industries.

17958. *Q.* You say the railways have not been able to keep pace with the industrial progress?

A. Yes.

17959. *Q.* You do not suggest that the progress of industrial development should depend upon the capacity of the railways to carry the goods?

A. No. I do not suggest that. I merely point out that the rapid development of industries has outstripped the railway development.

17960. *Q.* Is the progress commensurate with the cheap labour, raw materials, capital and population of India?

A. I think it is commensurate with the available capital and the available labour supply of India,—not with the raw materials, because in some cases they are very abundant.

17961. *Q.* You think the progress has been satisfactory?

A. I think it has been satisfactory.

17962. *Q.* If that is your view, we differ fundamentally, and there is no use my asking further questions on that point.

A. I should say the rate of progress has been satisfactory.

17963. *Q.* There is only one question more and that is about hand-loom industries. I think you have said in your note that something should be done to keep up the cotton hand-loom industry. Do you think that cheap loans would be one of the means of helping this industry?

A. No. I have not had that in mind in writing that paragraph. My idea was that the hand-loom weaver should be shown the use of improved appliances and methods.

17964. *Q.* That is to say instructions. You won't go further?

A. Well, there are other directions. Co-operation is one with which I am not directly concerned.

17965. *Q.* Would you encourage the formation of co-operative societies?

A. Yes.

17966. *Q.* Are these the only means by which you will help the hand-loom industry?

A. Well, any assistance that could be given in organising sales, etc., may fairly claim the attention of the Government.

17967. *Q.* You would not do anything to handicap the industry by putting a duty on yarn which is now admitted free.

A. I have referred to this in my note. You may suggest putting a duty on yarn for revenue purposes, but if by imposing it you are going to do harm to your industry then you should not impose it. And I think it is arguable that a tax on yarn would do harm to the hand-loom weaver.

17968. *Q.* In your opinion a duty on imported yarn would injure the hand-loom weaver?

A. I think it would injure the hand-loom industry and it would not do any special good to the mill industry.

17969. *Mr. Rhodes.*—*Q.* Mr. Seshagiri Ayyar was discussing with you the question of the excise duty. If you find that under cover of an import duty the local manufacturers were making a very large profit, would you be opposed to Government taking to itself a part of that profit in the form of an excise duty?

A. Not for the sake merely of cutting down their profits. If Government were looking round for further sources of revenue, an excise duty might be permissible, but merely because an Indian manufacturer is making large profits I do not think that an excise duty can be fairly imposed.

17970. *Q.* I want to take it on the question of principle. If Government put a heavy duty on imported cement, I presume they are taxing the consumer?

A. Are you talking of heavy import duties for revenue purposes?

17971. *Q.* I do not think the purpose does matter as regards the effect. Supposing there is an import duty on cement, I presume the duty is paid by the consumer?

A. Yes.

17972. *Q.* Well, is not the Government on behalf of the consumer entitled on principle to the extra profit which is consequently made by the Indian manufacturer?

A. I am not looking at that from the point of view from which you are looking at it. I am looking at it from this point of view. Government want a certain amount of revenue. They say: "This revenue can be obtained by putting such and such an import duty on cement. But if we put a duty on cement, Indian makers of cement will make excessive profits. Therefore, we think the fairest thing to do is to put not such a high import duty on imported cement, but to put a small excise duty also on local cement. That, I think, would be admissible from the revenue point of view, in the same way as an excess profits tax is admissible perhaps from the revenue point of view. But I do not think Government are entitled to look round and see which industries are making large profits and tax them merely because they are making profits. I think the function of Government in taxation is to determine its revenue demands and then distribute them in the easiest way possible for the general population.

17973. *Q.* May I take it on that basis? Supposing Government wants 10 lakhs of rupees. If they put it on the imported cement,—you have said that Indian production is only half of the Indian demand—the consumer will pay 20 lakhs more for cement. He pays 10 lakhs duty to the Government and he pays 10 lakhs to the Indian cement manufacturer. Would it not be fair for Government to put an import duty of 5 per cent. and an excise duty of 5 per cent.?

A. The answer to that question is: I do not exclude an excise duty from consideration. What I intended to convey was that an excise duty should not be imposed merely because an import duty is imposed. The one should not follow in any way automatically from the other.

17974. *Q.* Would you impose an excise duty for the purpose of taxing the consumer lightly, and not for the sake of helping a foreign competitor to trade in India?

A. I should not impose an excise duty for the sake of assisting a foreign competitor in India: I should admit it as a revenue cess if revenue has to be raised.

17975. *Q.* Your only intention is to lighten the burden on the consumer?

A. I prefer to put it "to lighten the burden of the general tax-payer." I would not exclude an excise duty if it secures a fair distribution of the burden of taxation.

17976. *Q.* I should just like to ask you about the general flat rate which you suggest in answer to Question Nos. 3 and 4. Have you any idea of the maximum limit of a flat rate. Would you regard the present 11 per cent. as having reached that limit, or would you contemplate a higher rate?

A. I would not overemphasise the flat rate. I think in the case of a revenue tariff the limit in any case is roughly determined by the revenue realised, *i.e.*, you do not want to kill the goose that lays the golden eggs. I should say that when you exceed 2 annas in the rupee you have to think rather carefully before raising the import duty. However, it is a matter of opinion.

17977. *Q.* We had before us a theoretical protectionist,—and I gather you are a theoretical free trader. You both seem to agree on one point, *viz.*, that generally a flat rate for revenue purposes should be allowed to act in a protective capacity for the benefit of the industries of India.

A. Yes. That is a natural consequence to which there is no reasonable objection.

17978. *Mr. Birla.*—*Q.* I want to know Mr. Bell, whether you regard an excise duty as a consumption tax or as an excess profits tax.

A. If I have understood your question aright, my answer is that in some cases an excise duty is an excess profits tax and in other cases it is a tax on the consumer, which is what I understand you to mean by consumption tax.

17979. *Q.* Am I to understand that you would impose a countervailing excise duty irrespective of whether the industry is being run at a profit or not?

A. I would have an excise duty only for revenue purposes, and Government, I presume, would not be foolish enough to impose a tax on an industry that could not bear it.

17980. *Q.* You maintain that an excise duty could be imposed without raising prices to the consumer?

A. Only in certain circumstances.

17981. *Q.* In which circumstances?

A. When there is a sufficiently large margin between the cost of production and the selling price in India.

17982. *Q.* Then, you think the price would not be raised further?

A. It may be, but the tendency will be not to raise it further.

17983. *Q.* If there was no excise duty the manufacturer would be able to sell at a cheaper rate than he could sell if the excise duty were imposed.

A. Yes.

17984. *Q.* Then, you have no reason to suppose that an excise duty could be imposed without raising the price to the consumer?

A. My point was that in many instances the manufacturer does not sell it at a lower price.

17985. *Q.* Let us take the concrete instance of Indian cotton mills. What is your view about the excise duty? Do you think that an excise duty can be imposed without raising the price to the consumer?

A. You mean a further excise duty?

17986. *Q.* Either a further excise duty or the present 3½ per cent. duty?

A. Well, at the present moment, I should say that, if you remove the excise duty or if you increase it to a small amount, it would not affect prices.

17987. *Q.* Why?

A. Because the demand is so keen as compared with the supply.

17988. *Q.* If as you say there is a keen demand for Indian made cloth at present in the country and if you impose any further excise duty, naturally this would raise prices. How can it be justified in the interests of the consumer to impose a countervailing excise duty on the industry?

A. I think a slight increase in the excise duty at the present time will not be passed on to the consumer.

17989. *Q.* If there is a keen demand it should be passed on to the consumer.

A. The prices are good just now. The mills are making large profits.

17990. *Q.* You think that an excise duty won't make any difference at all?

A. Not at the present moment.

17991. *Q.* I am sorry I can't understand you. You are a free trader?

A. Yes.

17992. *Q.* Do you know that India is very backward industrially?

A. As compared with other countries, yes.

17993. *Q.* Do you know that Japan was backward industrially 15 or 20 years ago?

A. I am not aware of it.

17994. *Q.* You should have read this at least in the books. You are the Director of Industries and therefore you should know.

A. Not 15 years ago.

17995. *Q.* 30 years ago?

A. A number of years ago there was not much difference betwen them and us.

17996. *Q.* Now compare the progress during the last 30 years of the Indian industries and the Japanese industries. Do you find any difference? Do you admit that Japan is more forward than we are to-day?

A. Yes.

17997. *Q.* Are you aware that they have got a protectionist policy, whereas we adopt a free trade policy? Do you see how free trade has acted here and protection has acted in Japan? Is it not a proof?

A. I do not think that the difference is entirely due to the fact that Japan adopted a protectionist policy.

17998. *Q.* You know we have got enough raw materials to export from India?

A. Yes.

17999. *Q.* You are aware that a large number of unskilled labourers are available here who are now idle without work?

A. Well, I think the question should be looked at on the whole. In recent years there has been rather a shortage of labour.

18000. *Q.* Do you know that it has been very often said that nearly 6 crores of men in this country have only one meal a day? What is this due to? If there is scarcity of labour why don't they get their meals?

A. It is a question partly of the mobility of labour. The people of this country prefer to live in their villages very often. If they care to go to industrial centres we will get them employment.

18001. *Q.* You require money first of all to go to industrial centres.

A. It is not entirely a matter of money. It is a matter of sentiment.

18002. *Q.* Do you agree that there is a good amount of unskilled labour in this country?

A. I am not talking of big towns like Bombay and Calcutta. I am talking of villages.

18003. *Q.* Do you admit that there is a big home market in India which has to depend for its requirements on foreign imports?

A. Yes.

18004. *Q.* You have got raw materials, you have got labour, you have got a big home market. If by a little protection you can develop your industries by attracting shy capital which is not now coming forward, would you not come forward and give some assistance in the shape of protection?

A. When you have got all these favourable conditions, why is protection necessary?

18005. *Q.* Because there is no attraction and therefore naturally investors won't like to come forward and take to new enterprise.

A. I accept the facts. As you say there is ample raw material, there is ample labour and there is a big market. That is all that the industrialists require.

18006. *Q.* Still you require capital, and capital is shy here and will not come forward unless there is an attraction for the industries.

A. It all depends on the dividends that the industrialists ask for.

18007. *Q.* You mention the case of England. Are you aware that England herself in order to protect her motor car industry has recently imposed a 33¼ per cent. import duty on motor cars?

A. Yes.

18008. *Q.* Why did she do it, if as you say England is a free trade country?

A. I admit that protection does stimulate industries, but I say it enhances prices. In England the consumers of motor cars have to pay higher prices than before.

18009. *Q.* Do you mean to say that England is a fool to do that?

A. They are doing that.

18010. *Q.* If India were to adopt a protectionist policy, I do not think the English industries would be able to work as successfully as they are working to-day.

A. I don't think it follows.

18011. *Q.* But in spite of all these things you want on sentimental grounds that India should be a free trade country and should not have protection at all?

A. Yes, in her own interests.

18012. *Q.* In whose interests, India's or England's?

A. In the interest of India.

18013. *Q.* In the interests of England as well?

A. No, purely in the interests of India.

18014. *Mr. Mant.*—You were the Secretary to the Industrial Commission?

A. Yes.

18015. *Q.* So you have had a good deal of experience of industrial questions?

A. Yes.

18016. *Q.* In your answer to Questions Nos. 3 and 4 you suggest a reconsideration of the various items which are free of duty or subject only to a low rate of duty. On what basis, generally speaking, would you reconstitute that list?

A. I will, as I said before, look at it purely from a revenue point of view. You must not from the revenue point of view impose such a high tax as to reduce the amount of your revenue by cutting down the purchase of the foreign commodities. At the present time it seems to me preferable to raise the rate on the 2½ per cent. articles rather than to raise the duty on articles on which a duty of 11 per cent. or more is now paid. It is entirely a question of revenue. For instance sugar is now paying 15 per cent. and the revenue from sugar is very high indeed. It constitutes one-fourth of the whole import duties received.

18017. *Q.* But the present tariff is supposed to be constructed on revenue principles, isn't it?

A. Yes.

18018. *Q.* Do you propose the reconsideration of the principles of the present tariff or do you propose reconsideration of the exemptions merely on account of the changed circumstances?

A. Merely on considerations of changed circumstances. The reason is that the Government naturally avoids imposing taxation which directly affects the industrial development. When they first imposed a revenue import duty they thought it should be kept low or not imposed at all on articles like steel and iron, machinery, rolling stock plant, etc. The question is whether India does not produce as much iron as to remove the fear of checking the industrial development by increasing the taxes on those foreign articles. I think the fear does not now exist to the same extent.

18019. *Q.* You take the case of iron and steel. Will a duty on them raise the prices?

A. Certainly. But this is a case where the whole body of producers and consumers in India are concerned. Those who use certain articles either as producers or simply as direct consumers take a certain amount of the burden of the import duty. But this duty is much lighter in the case of iron and steel.

18020. *Q.* I am not quite sure that I follow the line in which the circumstances have changed. I understand you mean that producers of iron and steel have to be considered, or do you mean that it is no longer necessary to give a concession rate?

A. We have now got local sources of supply.

18021. *Q.* Is it not necessary for the development of industries to have cheap supplies whether they come from local sources or whether they are imported?

A. The ideal would be no taxation at all. But there must be some taxation.

18022. *Q.* I only want to get at the basis on which you recommend revision of the list of exemptions.

A. Take the case of cement which is nearly as important an item for the development of industries as much as iron and steel. There are Indian producers of cement and there are Indian producers of iron and steel. Why should the Indian user of imported cement pay higher taxation than the Indian user of imported steel and iron?

18023. *Q.* I am only trying to get at the principles on which you advise revision. I understand that the main change is that these articles are produced in India.

A. Looking from the other point of view, you cannot have revenue tariff without a certain protective effect. In distributing your favours, indirect favours, Government should be as fair as possible. They are giving greater favour to the producers of Indian cement than to the Indian producer of iron and steel.

18024. *Q.* Then you recommend the levelling of the duty in the interests of the producers of these articles?

A. Yes.

18025. *Q.* You recommend practically an all round flat rate to be imposed whenever an article is produced in the country?

A. Yes. I think there should be as few indirect favours as possible. I mean to say that where the revenue tariff is high, there is a certain amount of protective effect. I want the protective effect of the revenue tariff to be fairly distributed.

18026. *Q.* Then you want to extend it to everything?

A. I want the burden to be fairly distributed.

18027. *Q.* In answer to question 22 you recommend bounty system in preference to protection. Would it not be very difficult to work it in practice?

A. Possibly yes.

18028. *Q.* Such as raising funds for giving bounty.

A. Yes.

18029. *Q.* I wanted to ascertain whether you saw the practical difficulty?

A. I do not think there will be any practical difficulty in giving a bounty, on steel production for instance. Steel works are few and their production can be ascertained without much difficulty. But there are obvious cases where there would be practical difficulties.

18030. *Q.* Coming to the appendix to your statement, you give interesting figures in regard to the cotton industry. I understand your main point is that the production of cotton cloth in this country is increasing, that the machine made cloth is increasing at a higher rate than the imports of cotton cloth.

A. Yes. At the present moment Indian production can possibly increase as rapidly as they can obtain machinery.

18031. *Q.* Therefore you think there is no need of any further protection?

A. Not at the present time.

18032. *Q.* In the same appendix you refer to the quality of cloth produced by hand-loom weavers. In para. 11 you say " the hand-loom weavers competes successfully with the mills not merely in the production of fine fabrics but also in the output of the coarser counts and that it is in the weaving of the medium counts that mill competition is mostly felt." Can you explain that?

A. No. I cannot. I have thought about it and I have tried to find an explanation, but I cannot find a satisfactory explanation.

18033. *Q.* You are sure of the fact?

A. Yes.

18034. *Q.* It is rather a curious fact.

A. Yes.

18035. *Mr. Jamnadas Dwarkadas.*—Mr. Bell, you said you had three years' experience in Bombay. Before that, ff I may ask you, what were you?

A. I was for two years in the Munitions Board and for one year with the Industrial Commission. Before that I was a settlement officer.

18036. *Q.* In answer to Mr. Seshagiri Ayyar you said that the industrial condition in India was satisfactory and that India had made satisfactory progress.

A. Yes, the *rate* of development was satisfactory.

18037. *Q.* You admitted in answer to the question by Mr. Birla that compared to Japan, which was in as backward a state as India a few years ago, India has not progressed much.

A. I said that at the present time the rate of industrial development in India was satisfactory and that the rate of progress in Japan afforded no comparison. My own belief is that industrial development in Japan has been bought at a price which this country would not and should not pay.

18038. *Q.* At the same time don't you agree easily that the want of industrial development in India has been brought about by the fiscal policy which has been adopted in the interests of Great Britain?

A. I don't think so.

18039. *Q.* I hope you have read the Montagu-Chelmsford Report. Mr. Montagu and Lord Chelmsford come to the conclusion that India was industrially backward and that was one of the causes of discontent. I am only summarising, that India was legitimately aspiring to have its industrial aspiration satisfied.

A. Yes.

18041. *Q.* I will just read to you some portions of the Report:—" They (Indians) noted that her (Indian) foreign trade was always growing, but they also saw that its leading features continued to be the barter of raw materials valued at relating low prices for imported manufactures, which obviously afforded profits and prosperity to other countries industrially more advanced." Then again, " The people are poor; and their poverty raises the question whether the general level of well-being could not be materially raised by the development of industries." Does not that presuppose that considering the natural advantages, the raw materials, cheap labour and innumerable other advantages that India possesses, her industrial development has been nothing in proportion?

A. I think it simply states the fact that Indians have come to recognise more and more the advantages and necessity of industrial development. I may be wrong but my impression is that in some parts of India and certainly in some communities the benefits of participation in industries were not formerly recognised. In certain cases for instance there was a dislike for manual labour, and I might even say something like a feeling of disdain for manual labour. That attitude is now changing.

18042. *Q.* Is it changing or has it completely changed? Do you think there is in India any prejudice now against starting industries?

A. Not against starting industries. But there are some castes, which take more freely to industrial pursuits than others.

18043. *Q.* Do you mean to say that if Government encouraged the growth of industries we would very soon not find a dearth of men?

A. I will put it this way. My experience in this country is that it is only generally fools in a family that are sent to industrial schools.

18044. *Q.* You are talking about technical education?

A. Yes.

18045. *Q.* Do you think there are facilities for obtaining technical education for industrial purposes. I do not think so.

A. There are some good technical schools.

18046. *Q.* I want you to tell me whether the technical schools here are of the same standard as those in foreign countries.

A. I agree that they are not of the same standard as many foreign technical colleges. But industrial development and technical education must go together. The standard of technical education has been steadily rising; for instance, a technical institute was started in Bombay about 1890. At that time the entrance qualification was, I think, the fifth standard of the Anglo-Vernacular school. Now it is the matriculation and for certain classes they are raising it a little higher than that, *viz.*, the First Arts examination. This shows the great advance during the last 30 years in the standard of boys, who are being obtained for technical education.

18047. *Q.* Can this progress be at all compared with that in foreign institutions?

A. India owing to natural conditions which were chiefly those connected with transport, had to start late in the race of industrial development. You had not the facilities of transport in India which, for instance, England had. Carriage was very costly throughout this country. In England any factory could always get its manufacture easily to the sea board if it is a matter of 40 or 50 miles at most. There is a vast difference in the conditions.

18048. *Q.* Coming to the main point, do you seriously think that the policy of Government, since the advent of British rule in India has been such that it in any way encouraged the growth of industries in this country?

A. I think so. I do not know what there has been to prevent it.

18049. *Q.* Take the cotton industry for instance.

A. I agree with you, if you are talking about the excise duty, I consider that it was entirely wrong.

18050. *Q.* Don't you think that it was a deliberate attempt to give protection to Lancashire?

A. I agree with you there.

18051. *Q.* That is one industry in which India would have made progress. In that case you admit that the policy of Government was wrong and dictated by the interests of Lancashire. Will you kindly tell me now why you think that the Government policy has always been towards the encouragement of industries in India?

A. That is one example which you have given, and I do not think any one can dispute that. It undoubtedly was wrong. But I am not aware of any other action of Government which resulted in the prevention of industrial development.

18052. *Q.* I will put it this way. Will you mention a number of industries which have received direct encouragement on account of the Government policy?

A. I think the iron and steel industry had a good deal of active encouragement and assistance from Government.

18053. *Q.* Taking the iron and steel industry, if the steel industry prospered, was it the result of the natural protection afforded by the war or was it the result of any Government measure?

A. What I was saying was that Government gave a good deal of active encouragement and assistance in the establishment of the iron and steel industry.

18054. *Q.* Would the steel and iron industry have prospered but for the protection afforded by the war?

A. I have no inside information. But there is first class iron and first class coal. Why it should not prosper I myself find it difficult to understand.

18055. *Q.* Had it not been for the protection afforded by the war, my own information is that the steel and iron industry would not have prospered in this country.

A. It is a matter of opinion.

18056. *Q.* Will you mention to me any other industry which has received encouragement at the hands of Government, and has prospered as a result of their policy?

A. I cannot recollect another instance of the kind My point was that there was nothing in the policy tc prevent industrial development, excepting the excise duty on cotton. Of course that was entirely wrong.

18057. *Q.* It is the main industry of India, and on that question you admit that the Government policy was deliberately to promote the interests of Lancashire against Indian interests. You have another instance, that of the steel and iron industry. In regard to that I maintain that it prospered because of the war protection There is no other industry that you can mention. How can you substantiate the statement that you make that the Government policy has gone a great way towards encouraging the development of industries.

A. I said that there was nothing in the policy of Gov ernment to prevent industrial development, except the excise duty on cotton. The Government in England does not back up particular industries and develop them for us. The same policy has been followed here.

18058. *Q.* So far there has been a free trade policy in India, leaving aside the years of war which afforded a natural protection to various industries. You will admit that the economic condition of the Indian population is not satisfactory.

A. I admit that there is room for improvement.

18059. *Q.* You believe also that it is necessary for increasing India's wealth by making her prosperous to bring about industrial growth in India?

A. I do.

18060. *Q.* Will you point out to me any country, excluding Great Britain, which, at one stage or another of its industrial development, has not resorted to protection?

A. No. I do not think I can.

18061. *Q.* While all civilised countries have adopted protection, will you kindly tell me why you think that it is necessary in the interests of India that a free trade policy should be adopted?

A. I have said that industrial development by protection is bought at a price. England found that protective duties so far from encouraging the development of industries hampered them. She therefore abolished protection. The tendency nowadays in all the free states seems to be the same.

18062. *Q.* Pardon me. You state that England abolished protective duties. When was it? When it was able to stand on its own legs and exploit manufactures outside the country.

A. The industry which England sought most to protect was agriculture and her protection of agriculture hampered her industries.

18063. *Q.* What is England's policy now? Is it not a policy of protection? Do you know that last year, without a single dissenting voice, the Bill to Safeguard the British Industries was passed in Parliament?

A. This is at the moment necessary, because during the war several industries which came into existence under artificial conditions have to be bolstered up.

18064. *Q.* In these circumstances, when you admit that no country in the world has industrially developed without resorting to protection, will you kindly tell me how India is going to develop industrially without having recourse to a policy of protection?

A. There has been industrial development. Take the cotton mill industry, for instance. See at what rate it has developed.

18065. *Q.* Considering the vast natural resources of India, considering the innumerable other advantages that we have and considering its size, do you think that the industrial development of India has been at all satisfactory?

A. It is not commensurate with its resources. But what has there been to prevent it?

18066. *Q.* That is begging the question. I have been trying to make out a case that under free trade there has not been so much development as there would have been under protection?

A. I will put it the other way. You can go to extremes and absolutely prohibit the import of foreign goods and then there will be remarkable development in India. It is all a question of degree.

18067. *Q.* It is not a question of prohibition. The only thing I want to get from you is whether a reasonable protection to industries for which there is a possibility will not contribute to the industrial growth of India.

A. What is a reasonable protection?

18068. *Q.* Let it be anything. You are at present an extreme free trader, if I may call you so. Will you grant that reasonable protection?

A. I am sorry that I cannot answer the question, because I have got to assume what a reasonable protection is. You have got 11 per cent. protection now. Is it reasonable or not?

18069. *Q.* 11 per cent. is a revenue duty, and against that there is the 3½ per cent. excise duty.

A. That is in one industry.

18070. *Q.* Do you think that 11 per cent. is enough? Do you think that the present margin ought to be maintained?

A. I think that if the consumer in India has to pay a penalty for using foreign goods in preference to Indian made goods to the extent of an extra charge of 11 per cent., then the Indian manufacturers have got there a reasonable advantage over the foreign manufacturers.

18071. *Sir Manekjee Dadabhoy.*—*Q.* Mr. Bell, the views which you have expressed to-day, I presume, are your personal views and not the views of your department?

A. Entirely, they are my personal views.

18072. *Q.* As the Director of Industries you would naturally like to see industries thrive in your Presidency, would you not?

A. Certainly.

18073. *Q.* You would do all you possibly can to promote those industries?

A. Yes.

18074. *Q.* That being your principle, I presume you would not allow your free trade instincts to go so far as to prevent decaying industry from being started if you thought that that industry would stand on its legs with a little help?

A. Yes. I think there might be a case for giving support to an industry which had become established and whose extinction might mean suffering to the people.

18075. *Q.* If it was threatened with extinction and if it was a deserving industry you would not carry your principles to the extent of not helping the industry. You would help that industry.

A. I would be prepared to consider a case of that kind.

18076. *Q.* If you found that the case was deserving of assistance you would give assistance?

A. It depends on circumstances.

18077. *Q.* If the circumstances were favourable and if the industry suffered owing to competition and could be made to stand against foreign competition by a little protection would you not support it?

A. Not as abroadly as that. I have given you that instance of the hand-made paper industry. I would not support that industry.

18078. *Q.* Because you think that it is no good?

A. Because the demand for it has gone.

18079. *Q.* I am not talking of the hand-made paper industry, because there is no demand for it. I have seen that point of yours. But I would like to put you this. As Director of Industries if you found that a particular industry suffered owing to foreign competition and if you thought that that industry would become extinct unless supported by Government with a measure of protection and that it was deserving of help. would you not extend your support?

A. Give me a concrete case. It is rather difficult to imagine the case of an established industry which is meeting an existing demand decaying like that.

18080. *Q.* I shall give you an illustration. But first let me understand your principle. I want first to see to what extent you would carry your free trade principles. In cases such as I have mentioned would you chuck your trade principle or would you chuck your industry?

A. The only exceptions I would allow from the principle of free trade are, as I have indicated, industries which are essential for purposes of self-defence. Otherwise, if an industry is unable to meet the stress of the times, in general circumstances, I think it must decay, like ourselves.

18081. *Q.* Excepting industries that are required for war purposes, would you allow all other industries to go to the wall?

A. Are you talking of fiscal protection?

18082. *Q*. I am talking of fiscal protection. Would you support such industries or would you allow them to go to the wall?

A. I would not allow protection generally on principle.

18083. *Q*. On principle you won't allow it?

A. No.

18084. *Q*. You would carry your principle to the extent of knocking out an industry.

A. I have given one permanent exception, that of an industry connected with the defence of the country. But I would not do it from the trade point of view.

18085. *Q*. You have made an exception in the case of war industries?

A. Yes.

18086. *Q*. Do you know that the Dye Stuffs Bill was adopted and passed in 1920 by the House of Commons though England is a free trade country and that again in 1921 the Safeguarding of Industries Bill was passed. England with its free trade principles did this. Would you still deny to India the same sort of measures for assistance, which England has adopted for her protection.

A. I think the case of England rather bears out my contention. There we have industries which were established under unnatural conditions and which cannot live now under healthy competition. These have got to be bolstered up at the expense of the general consumer.

18087. *Q*. Which are the industries you are talking of?

A. I am talking of the key industries.

18088. *Q*. The key industries were started under unnatural conditions?

A. There has been a good deal of amusement caused in England as to what key industries are.

18089. *Q*. What are the industries you are referring to which were started under unnatural circumstances?

A. I am saying that the instances which you cite from England support my point of view. In war time a number of industries were started under what I may describe as unnatural trade conditions. Now that the war is over they cannot exist under healthy competition with outside industries, and they have got to be bolstered up and the English consumer is compelled to pay more. In other words he is taxed to maintain these industries. It may be arguable that you should rather tax the consumer for the maintenance of the dye stuffs industry than to let it sink.

18090. *Q*. On your very statement is it not the fact that the case of India is very much stronger? England started under unnatural conditions. India started under favourable circumstances hoping that the industries would succeed. They were genuine industries started under natural circumstances. Would you not yet extend your protection to the Indian industry?

A. I do not know.

18091. *Q*. Why? The position is illogical on your very basis.

A. It is very difficult to argue without a concrete case. Let me give the instance of the town of Coventry. Coventry I believe was a flourishing watch making town, and subsequently came into competition with cheap Swiss watches. Then the watch making industry declined. Was it wiser to protect that watch making industry in India or let it find its unnatural outlet for its watches? Then Coventry turned its attention to bicycles, and was more prosperous than before. I think the case of a nation is not entirely different from that of an individual. Suppose I am a businessman, say a tanner. If I am making a loss as a tanner, is there any reason why my relatives, apart from sentiment, should pay me more to keep my industry going. They would ask me to chuck the thing and go into something else more profitable.

18092. *Q*. In answer to Mr. Jamnadas' question you spoke of the steel industry having been supported by Government during the war time.

A. I merely mentioned the steel industry as one which had been established with the active help of Government. That was before the war.

18093. *Q*. It was not with the active help of Government that the Tata Steel industry succeeded. Their success was simply due to the protection afforded by the war. Then again they sold their steel at a much lower price to Government. Government gained by it.

A. The facts to which I refer relate to the Tata Steel and Iron Works. The fact is that they were supported with the active goodwill and assistance of Government.

18094. *Q*. That is another thing, and protection is another.

A. I never suggested they were protected. I said they were started with the active assistance of Government. Government gave them a guaranteed order, the assistance of the Geological Survey Department and of the Industries Department. They gave it every help to push the scheme through.

18095. *Q*. Technical advice and information was supplied by Government. But there was no actual pecuniary help. So you would qualify your statement?

A. There was nothing beyond a guaranteed order.

18096. *Q*. Things were given to Government at a much cheaper price?

A. Guarantee was given before the war at the same price as that of English steel. The circumstances during the war were different.

18098. *Q*. You state that taxation takes money out of your pocket and you say "Why should I be taxed for the benefit of others." This is so far as the consumers are concerned. Wherever a policy of protection has been applied you know that somebody has to pay for it?

A. Yes.

18099. *Q*. And the consumer must pay for it. Would you not carry your doctrine to the extent of suffering for the benefit of a larger section? Would you not acquiesce in that proposition?

A. We are suffering from a 11 per cent. charge now on everything that you and I purchase from foreign countries. We have got to contribute 11 per cent. of the total value to the Government of India's exchequer.

18100. *Q*. That is for revenue.

A. You only continue the process.

18101. *Q*. I say the principle is the same. Somebody has to pay and who? The consumer must pay. All taxes are paid by the consumers, unless there is direct taxation.

A. From the protection point of view you are not imposing taxes for revenue purposes.

18102. *Q*. You compare excise duties and place them in the position of excess profits tax?

A. Only in one set of circumstances.

18103. *Q*. Don't you know that there is a vast amount of difference between the two? The excess profits tax is not paid by the consumer while the excise duty is paid by the consumer.

A. I say only in certain circumstances, if an excise duty is imposed it may be virtually an excess profits tax. That is what I suggested.

18104. *Q*. I do not see it, because the excise duty is paid by the consumer?

A. I am sorry I have not made myself clear. Supposing the Indian factories sell their output at Rs. 40 and make 10 per cent. profit. Suppose the rock bottom price at which the foreign manufacturer can sell in this country is Rs. 80. Supposing, as is actually the case, the Indian output is about half the demand, the Indian manufacturer does not then sell his goods at Rs. 60 and remain content with a 10 per cent. dividend. He sells it as near as possible to Rs. 80.

18105. *Q*. You justify the excise duty on this hypothesis?

A. I do not justify it. I merely say that if in such a case an excise duty is imposed, it must be virtually an excess profits tax.

18106. *Q*. You would not justify it?

A. No.

18107. *Q*. You object to it?

A. I object to it. If Government imposes an excise duty for purposes of revenue that is a different matter.

18108. *Q*. You are referring to the ordinary excise duty and not the countervailing excise duty? You object to the countervailing excise duty on the principle that it imposes a duty on an article on which an import duty is also placed. Why do you object to it?

A. I will put it this way. I object to it if it is imposed merely in the interests of the foreign manufacturers, as the excise duty on cotton was imposed.

18109. *Q*. You think that the excise duty is wrong in principle.

A. Yes.

18110. *Q*. You won't allow it to remain.

A. No.

18111. *Q.* You say that numerous companies which were floated in 1920 have wound up.

A. **Several of them have wound up.**

18112. *Q.* Do you think that some of these companies at least say some concerns like chemical companies, if they were protected to a certain extent, would not have shared this fate?

A. No. Very few companies which have really started operations have wound up. Their capital is intact.

18113. *Q.* That is another matter altogether. I am talking of those industries which have wound up on account of foreign competition. Don't you think that these companies would not have shared this fate, had Government thought fit to protect them?

A. **I don't think that there have been very many on this side of India.**

18114. *Q.* I am not going into the numbers. I only say that they would have been saved by a sort of protection. Would they not?

A. **Many of them were purely artificial concerns.**

18115. *Q.* We won't take these artificial companies. You don't mean to say that some genuine companies **have not had to wind up on account of foreign competition.**

A. **You mean producing companies?**

18116. *Q.* Yes, started with the idea when the war was over that they would be able to hold their own.

A. I cannot recollect at the moment an important **case.**

18117. *Q.* But if such case existed, it was worthy of assistance.

A. **I am not prepared to say so.**

18118. *Q.* Then you made another statement which I could not understand. You said that only fools of the family were sent to industrial schools. Do you mean to tell me that England built up its commercial greatness by sending fools to industrial schools?

A. I said that that was the tendency in India and not in England. I said that some communities still preferred to make their clever boys lawyers or professional **men rather than send them to an industry.**

18119. *Q.* Mr. Bell, where did you get this information from? I know that many of our commercial and business magnates, who are doing prosperous business refuse to send their boys to schools and colleges even and that as soon as they are of age, they put their boys into the business and train them up.

A. I am not talking of them. I am talking of only **certain communities, Sir Manakjee.**

18120. *Q.* I have never heard it before.

A. **It was said as a sort of side remark in connexion with the way in which industries were regarded at one time in India. I don't think that it is worth pursuing.**

18121. *Q.* There are one or two more questions about the cotton industry. Please see your reply to Question No. 23. You say " I have given facts in support of the view that at the present time it is unnecessary to take special measures for the protection of the cotton spinning and weaving industry." Then later on you say in the Appendix I " A few years are required before fresh machinery can be installed in India and the full effects of the new conditions can be gauged. The Indian consumer still must depend to a great extent on imported cloth and the supply to India of machinery sufficient to produce cloth equal in amount to present imports, will require a very long period." As India is dependent on foreign imports so much, would you not protect the cotton industry?

A. No. What I meant to say was that the gap was a large one which necessarily must take time to fill up.

18122. *Q.* And during that interregnum would you allow the industry to go to the wall?

A. I showed in the graph that the industry was increasing rapidly.

18123. *Q.* You refer there to the after war period when the industry had been thriving.

A. I showed you that in the 8 years before the war the number of looms exactly doubled.

18124. *Q.* That does not mean that the industry prospered. You know the dividends which these industries pay?

A. **People don't double their looms unless they are prospering.**

18125. *Q.* It might be in the hope of better times. You don't mean to say that because the industry increased its looms, the industry was prosperous.

A. **I would qualify the remark in one way that sometime before the war the yarn market in China became worse and therefore there was a stimulus for installing looms in Bombay in order to use up the local production of yarn, but these looms were profitable looms. They did not put up the looms and lose money.**

18126. *Q.* Losing money is quite a different thing. Have you worked out what profits these Indian mills were paying for 20 years before the war?

A. **I am prepared to admit that they were not fat exactly, but they worked out taking the good and lean years at a fair rate of profit.**

18127. *Q.* Don't you expect this contingency to recur again? Don't you think that the present prosperity is only ephemeral?

A. **Every industry must have its ups and downs.**

18128. *Q.* Would you not therefore protect the cotton industry which is the mainstay of the country against such contingencies?

A. **Even then there might be famines and other bad times. Demand might fall and there might be over production.**

18129. *Q.* We are not dealing with fortuitous circumstances. Would you not protect the industry so far as human knowledge could go?

A. **Do you mean fiscal protection?**

18130. *Q.* Yes.

A. **I think that it is unnecessary.**

18131. *Q.* You don't object to this 11 per cent. duty on imported cotton manufactures so far as I understand from your statement.

A. Not for revenue purposes.

18132. *Q.* If revenue requires the import duty of 11 per cent. to remain on, would you be prepared to abolish the present excise duty?

A. **I have no objection to the abolition on principle but whether the Government can afford to lose the revenue is another matter.**

18133. *President.*—*Q.* Your position is this. If revenue was not needed, would you be prepared to recommend the abolition of the import duty irrespective of its effect on industries? Supposing the Government did not require revenue and wanted to remit taxation and said " we don't want the import duty," you would have no objection to the abolition of the present 11 per cent. import duty.

A. No, assuming that they were not levying more objectionable taxes.

18134. *Q.* Supposing the revenue so increased that they wanted to remit taxation as they have done in the past, would you have any objection to the abolition of the import duty?

A. **No objection on principle.**

18135. *Q.* You would not mind what effect it produced on the industry. You would not care to see what happens to the industry as a result of that revenue policy.

A. **I am not prepared to say that.**

18136. *Q.* Your whole emphasis in your evidence is that you advocate it for revenue purposes. It naturally resolves itself into this, that if it is not needed for revenue purposes, it must be remitted. No consideration of industries comes in at all.

A. **I cannot visualise the position in which the Government would not require money.**

18137. *Q.* That is the basis of a revenue duty.

A. **I think that Government will always require revenue.**

18138. *Q.* Assuming that there was a huge surplus and Government wanted to remit taxation—they have done it in the past; they imposed at one time import duties on foreign piecegoods and when revenue considerations allowed they removed them—you would have no objection.

A. **If that position arises, the first thing they should abolish is the excise duty.**

18139. *Q.* I merely ask would you, in regulating the revenue policy of the Government of India, raise or remove import duties irrespective of their effect on industries?

A. **It is a matter which I had not considered, and I am not prepared to answer off hand.**

Witness No. 118.

Bombay Native Piece-Goods Merchants' Association, Bombay.

Written statement, dated 31st January 1922.

18140. The Committee of the Bombay Native Piece Goods Merchants' Association are of opinion that any single absolute principle as (1) Free Trade or (2) Protection or (3) Imperial Preference, cannot be adpoted of advocated as being the best in the interests of this country.

18141. Free trade is known to bring within the reach of the consumer products and manufactures of all countries at competitive and consequently at the lowest possible cost. The average income of an individual in this country being known to be very low, products and manufactures can become available to the people if the cost was the low. Free trade is thus a very desirable policy.

18142. However it is equally desirable that the country should be self-reliant for as many of its requirements and needs as possible, and to achieve this end, things which can be produced or manufactured in the country should be encouraged and protected. Protection thus is equally necessary for the well-being of the country.

18143 Imperial Preference again cannot be refused when it is reciprocal, *i.e.*, where Indian industries and products receive the same preferential treatment from the other parts of the Empire.

18144. Our Committee favours a rational fiscal policy rather than any theoretical one. And even this rational policy may be modified for purposes of raising revenue.

18145. Our Committee welcomes free import of articles which help the growth of industrial and agricultural development of the country such as agricultural implements, machinery and raw products.

18146. The general rate of 11 per cent.c duty is in the opinion of our Committee a heavy one and the same should be reduced whenever the country's revenue can afford such a course being adopted. A high duty naturally checks imports and a low duty will favour larger imports. The country's revenues may thus get compensated to some extent by lower Tariff.

18147. A high duty of 20 per cent. on luxuries, if necessary for purposes of revenue, may be advecated and approved for the time it is necessary. The results of the imposition of high duty should be carefully noted and lower duty be imposed when the revenue ceases to increase from that source.

18148. Our Committee is not generally in favour of the imposition of export duty and desire the same to be removed as soon as the revenues permit.

18149. With these general outlines, our Committee furnishes the following answers to the questions framed in their numerical order.

A. Revenue Tariff.

18150. Our Committee favours a policy of free trade generally and protection in specific instances only to foster the growth of such particular industries as can be successfully carried on in the country. If the revenues of the country make the imposition of import duty a necessity, the duty may be imposed for such time as the necessity lasts, and to such extent only as the revenues may not suffer by the consequence.

18151. Indirect taxation is the usual form of taxation amongst all the countries. Direct taxation is unpopular and is resented by the people.

18152. The Tariff should be as low as possible. Our Committee strongly urge that 2½ per cent. duty on fire wood in schedule 2, part 3, should be altogether removed for the same reasons for which it is considered undesirable to tax food stuffs, and raw materials. Grains and pluses should be expressly mentioned as free to avoid any confusion.

18153. The present Tariff policy may be followed with necessary precautions and modifications in the best interests of the country and her people. The imposition of duty on articles of import, encourages to that extent the production of these articles in the country and may be considered as affording protection to the growth of such or similar industries in the country.

18154. The present policy if maintained for a long period is considered likely to help the growth of Indian industries.

18155. The foreign imported goods are only taxed if requirements of revenue necessitate such a course. It can not logically follow therefrom that the country should tax its industries similarly. Such an imposition can neither be recommended on theory or in practice.

18156. Our Committee entertains very definite and strong convictions as regards Excise Duty. It cannot be recommended in any form. Excise Duty tends only to retard and cripple the country's industries. The effect of an excise duty is highly detrimental to the industries as well as the country. With no excise duty, the advantage gained by the industry will be reflected in the returns of Income Tax. If that is not sufficient for revenue, direct tax or taxes on profits are to be preferred to Excise Duty which is not helpful and positively detrimental.

18157. Excise Duty necessarily raises the price to the consumer. Direct profit taxation secures the revenue required avoiding the high cost to the consumer.

18158. Our Committee is of opinion that Tariff should primarily be imposed for purposes of revenue only and not with the object of fostering Indian industries. If the imposition of a Tariff becomes a necessity, it is but a rational course to select industries which can be or are likely to grow up in the country, thereby securing to the country a triple benefit, *viz.*, (1) The Revenue (2) Helping Development of country's industries (3) Making the country independent of outside requirements.

18159. It would certainly be a desirable thing for every country to be independent of others as regards all her requirements and efforts should be made in this direction as far as practicable gradually and progressively. India is a large country with a large population and hence her requirements of materials are proportionately large; unless all required raw materials are obtained in the country in enough quantities, the country has to depend on other countries for balance of her requirements. All the resources of the country have not yet been fully developed and experimented upon. It is therefore unsafe to prepare a list of things which the country cannot produce or manufacture in required quantity.

18160. The country need not be burdened with taxation of other goods for the protection of some.

18161. Industries should be protected of which the manufacture has already been commenced by the country. The country should become independent of others for the requirements in as many respects as possible.

18162. In the present only partially developed state of the country, there are many industries already started, to support which new industries may have to be established and encouraged. The principles to follow are (1) Making the country industrially independent of other countries and (2) Assisting and supplementing industries already commenced and growing.

18163. Those industries which are likely to face foreign competition without further state assistance after some time should be afforded the required protection is obvious. Industries which are of unquestioned value to the state in times of peace as well as war may be so protected for the very desirable aim of making the country self-supporting, in that particular.

18164. If a foreign country adopts the policy of dumping or bounty, it is to the country's interest to protect the local industries to keep them alive and thriving. The local industry may be given as a bounty the tax on the foreign supply.

Official inquiry should be at once instituted and if there be reasons to believe that a foreign country is helping its goods by special means, the effort should be checked by special Tariff imposition.

18165. Our Committee highly favours hand industries including cotton handloom industry. Factory life and work cannot be followed by all the people in the country. Home industries will give employment to all who desires to be so employed and it is to the interest of every country that the number of unemployed is the least.

18166. Combinations to secure larger profits become possible when favourable circumstances arise. However in India, industrialism is now only growing and such conditions have not hitherto developed. Partial removal of protection may render the attempts of the combination fruitless.

18167. If a protective policy is adopted, it is quite likely that some British or Foreign Financier or Financiers may endeavour to open factories here. The country should wel-

come such pioneers. Care should however be taken that no special concessions are given to them and that the people of this country have a fair opportunity and privilege to participate in same, duly reserved and secured.

18168. Our Committee does not consider that in the peculiar circumstances of India such conflicts are likely to arise.

18169. The import Duty is as a matter of fact borne by the consumer. It is the consumer who ultimately directly or indirectly pays for it.

18170. Yes.

18171. Yes.

18172. The chief aim should be to make the country independent of others for things required by the people.

18173. Increase in Tariff will so far increase the cost of living. Wages will be regulated on the broad principle of supply and demand.

18174. Protection would not have any effect on the foreign trade of India as India is mostly an exporter of raw products and the country that needs these products will buy the same for its needs. When India attains the position of an exporter of manufactured articles, the question may have to be considered.

18175. If by the instrument of Tariff, India can secure an advantage which it needs. One can see no reason why the same should not be made use of.

18176. It necessarily follows that there should be special Tariffs in special cases.

18177. Tariff at present is detailed enough. If necessary further details may be added.

18178. If a policy of protection were adopted, the same can as well be inaugurated by the present staff without increasing cost of maintaining special staff. The department will be expected to gather further particulars which it may stand in need of.

18179. The incidence of an Export Duty will have a three fold effect (1) It will make the commodity available at a rate lower than the export rate, *i.e.*, cheapen its price in the producing country proportionately. It will check the export trade of the article to some extent and will afford a source of revenue. The use of export duty even for revenue purposes is to restrict the export trade. Our Committee is of opinion that export duty should not be levied for revenue purposes only unless it is clearly established that India has a virtual monopoly of the article and the other countries cannot substitute any thing similar. Export duty may become useful on a measure of retaliation and for bargaining for India's advantage.

18180. Answered in the above.

18181. Retention in India of any raw products which the country immediately stands in need of, for manufacture or consumption may be secured sanctioning exports of minimum quantities but not by an export duty. The export duty can only furnish revenue, other countries can afford to take away the commodity at the higher cost by paying export duty. Export duty will not therefore secure retention in India if the same is necessary or desirable.

18182. Our Committee generally does not favour export duties. As a measure for retaliation, export duty may be imposed. Japan has a high import duty on manufactured cloth. At the same time it imports considerable quantities of raw cotton. If an export duty on cotton is levied, Japan can import cotton from China, Corea, Africa and America. To impose export duty on cotton will reduce the export of cotton. It can not however make Japan import Indian cloth. The export duty will benefit the home industry and make competition by others rather difficult.

B. Imperial Preference.

18183. Our Committee on general grounds is not opposed to Imperial Preference where it is asked to reciprocate the preferential treatment conceded to her by the other members of the Empire.

18184. Our Committee thinks that the preference should be the same for all the members of the Empire.

18185. Our Committee thinks that there would result some economic loss to the revenues by Imperial Preference. As for retaliation by other countries we do not think the same possible as India has not yet reached the stage of exporting its manufactures.

18186. The matter requires detailed and minute information of various imports and exports and in the absence of which information, our Committee is not able to make the required statement.

18187. Preference should be given to those articles which are not produced in India, and which India is not in a position to produce.

18188. The price to the consumer will not be raised by higher duty on goods coming from foreign countries than on British goods as English goods will be available to the country with the lesser duty.

18189. The system of Imperial Preference will result in some changes in the volume of trade of different countries with India and may effect the balance of trade.

18190. It is not possible to foresee correctly how the general trade position of India will be affected. The export trade with foreign countries may become diminished while the members of the Empire may not be in need of the exportable surplus of many Indian products. The export trade may suffer and may in consequence diminish this country's purchasing power with others.

C. Manufactures.

18191. Our Committee are not directly interested in the manufacture of any industry but as sellers or distributors of most of the cloth our Committee has vital interest in the manufacture of Textile goods.

18192. India's natural advantages for the above industry are the home supply of raw materials required for its manufacture and cheap labour.

18193. Yes.

18194. As compared with other countries this industry is not well organised. It has to depend on inefficient and illiterate labour.

18195. Chiefly on home consumption there is some export to Africa, Persia, Afghanistan and Central Asia.

18196. In Indian as well as other markets of English and Japanese goods are available. The same are preferred because of better quality of materials used better labour efficiency.

Owing to the low grade of Indian cotton, India's textile industry is mainly to produce lower count's yarns cloth.

18197. Great Britain and Japan have better climate than India and command advantageous facilities in the control of shipping.

18198. As the products of Indian Mills are of coarse yarns and such yarns and goods are not brought by others there the industry is not in need of special protection.

18199. This industry to our mind does not require protection.

18200. No.

18201. Depressed exchanges of other countries will help those countries to supply their manufactures at a lower scale. Competition thus will be accentuated.

18202. It will last as long as the depression in exchange lasts.

18203. No remedy is at present necessary.

18204. The local supply being cheaper has a constant demand which is very healthy to the industry. The industry is assured of favourable returns and will considerably advance itself by enlargements and fresh undertakings.

18205. No.

18206. No.

18207. All sizing materials and other appliances needed in the manufacture of the textile industry are likely to be established in India.

18208. The proportion of protection maybe raised in very special cases. Otherwise more or less uniform general protection may be given.

D.

This section is omitted by our Committee as our body in the main is concerned with the import and local trade only.

E.—Import Trade.

18209. Our members import piece goods of all descriptions from Great Britain, Holland, Germany, Switzerland, France, Italy, China, Japan and America.

18210. No peculiar effects have been observed, save and except the prices of imported piece goods are higher in proportion to the duty imposed.

18211. An appreciable increase in the tariff rates is likely to effect the volume of imports. The special cloths and makes which are supplied by foreign countries will be paid by the consumers as the increased prices. In spite of high duty on liquors and wines and cigarettes, the imports do not appear to have decreased to any appreciable extent.

18212. British goods will be cheaper than those of other countries thus there will be larger imports from Britain and proportionately less from others. The volume of the trade is likely to remain the same. The consumer will get the goods somewhat cheaper but the state will suffer in loss of a portion of revenue. Our Committee would prefer that if Imperial Preference is to be adopted the same should be in the sake of reduced Duty on British goods and existing rate or such rates as may be necessary for revenue purposes

or foreign goods. As pointed out above this will at any rate compensate the consumer who is the real tax payer.

18213. Our Committee is of opinion that each part of the Empire should be treated separately.

18214. Imperial Preference will merely alter the proportion of imports from British and Foreign countries.

18215. India's trade with other countries will be difficult as there will be no import to counterbalance in whole or in part the export trade and may hamper India's export trade diminishing the receipt of the Indian merchants, growers and others.

18216. Our members are chiefly concerned with import of piecegoods. Preference up to 5 per cent. may be conceded.

18217. Our Committee approves the principle of *ad valorem* duty.

F.—Retail Trade.

18218. Piece goods of all descriptions.

18219. The increase is to the extent of import duty imposed.

18220. Imports naturally are restricted by higher import duty. Figures are not available.

18221. Not appreciable.

18222. Imports from United Kingdom and other part of the Empire will be larger than from foreign countries.

Oral evidence of Motilal Kanji, Bombay, the 22nd February 1922.

President—

18223. *Q.* You represent the Bombay Native Piece Goods Merchants' Associatian?

A. Yes.

18224. *Q.* Your Committee say that they favour a rational fiscal policy. Will you please explain what they exactly mean?

A. Rational means such as is needed in the interests of the country. Of course you must have read in the statement that I have already argued out that any absolute policy either of free trade or of protection or of Imperial Preference is out of the question at present because the circumstances of the country are peculiar. Under the peculiar circumstances of the country it is desirable that the policy should be a rational one, not restricted to any one particular trade but modified in the interests of the country, free trade in some cases, protection in other cases and Imperial Preference in others.

18225. *Q.* That is not quite definite. We would like to know the definite views of your Committee. Does your Committee consider that the development of industries is a desirable thing?

A. Certainly.

18226 *Q.* Would you be prepared to protect such industries as needed protection to be established in India?

A. Our Committee recognises the need of the development of India on its industrial side and therefore it is prepared to advocate the imposition of taxes for the purpose of protection. At the same time our Committee wants to make this reservation that indiscriminate taxation should not be levied for the purpose of protection but only such taxes should be imposed to protect such industries as could be developed fairly well.

18227. *Q.* That is to say, your Committee would favour the establishment of industries by means of tariff protection, if necessary?

A. Yes.

18228. *Q.* They would favour only such industries as have natural advantages in India?

A. Yes.

18229. *Q.* That is what you really mean?

A. Yes.

18230. *Q.* How do you think that this is consistent with your reply to question 9? You say "Our Committee is of opinion that tariff should primarily be imposed for purposes of revenue only and not with the object of fostering Indian industries."

A. Our Committee's idea is that all Governments exist and all taxes are imposed simply for the benefit of the community and if revenues of the country can afford its Government expenses without the imposition of a tariff then there is no necessity for a traiff at all. As the question refers to tariff, we have put down the answer that tariff is only necessary for revenue purposes.

18231. *Q.* Do you know that revenue tariffs can be increased, reduced or removed altogether?

A. Yes.

18232. *Q.* How do you reconcile that with your view that assistance by means of tariff should be given for the establishment of industries. These would be purely protective duties and not revenue duties because revenue duties can be increased, reduced or removed according to the exigencies of the Imperial budget.

A. I think that the idea in the mind of our Committee is that the industries which were to be protected should have natural advantages.

18233. *Q.* This explanation clarifies your reply to question 10. You say "It would certainly be a desirable thing for every country to be independent of others as regards all her requirements and efforts should be made in this direction as far as practicable gradually and progressively". But for the explanation you have given, it would be difficult to follow this. I can now understand that your idea is that India should advance gradually and progressively in the establishment of industries and where such industries have natural advantages, you would assist them to stand on their own legs.

A. Exactly.

18234. *Q.* Will you please explain a little more fully what you exactly mean by your reply to Question No. 18?

A. As we suggested the desirability of developing industries in India, our Committee welcomes the idea of British and other nations investing their capital and starting industries here. At the same time of course they wish that the field of industrial development or of developing a particular industry should not by such efforts be monopolised by other nations. The opportunities should also be available to the same extent to Indians. At the same time if any concessions are granted by Government for the development of new industries to other people such concessions should be of such a nature as the Indians also have a chance of participating in them.

18235. *Q.* You say that care should however be taken. What would be the measures which you would advocate in order to take the necessary care which you suggest?

A. I would suggest the subscription of half capital by Indians or that about half of the people to manage the concern should be Indians. Also necessary precautions should be taken to see that Indians are not ousted from the industry.

18236. *Q.* Do you know of such precautions having been taken in any other country?

A. I must admit that I have never travelled out of India and my knowlege of other countries is very little, but at the same time of course our Committee does strongly believe that Indians as a rule generally do not travel out of the country. They are mostly remaining in the country and they have very few opportunities of learning the trade and industry.

18237. *Q.* As regards the first sentence of your answer to question No. 32. Will you please explain to us what you mean by the phrase "sanctioning exports of minimum quantities"? How would you determine the minimum quantities and what control would you advocate?

A. The primary idea is whether the imposition of an export duty is a correct principle. Our Committee has decided that an export duty under any circumstances is a thing which cannot be advocated. The secondary object which the Government may have in view by putting on an export duty is to restrict the exportation of the articles or foodstuffs to other countries. Our Committee believes that the rates would fall by the imposition of the export duty. The countries which consume our products may be rich enough to buy them at higher prices created by the imposition of the export duty and still deprive the country of the minimum quantities that the country requires for its needs. It is therefore necessary and advocated by our Committee that whenever such contingencies arise if it is considered necessary in the interests of the country to restrict the export of certain articles, it should be attained by means of a prohibition to export. Government have always figures of production at their hands and also the consumptive needs of the country. By mere subtraction they can say that over and above a certain number of bushels of wheat will not be allowed to be exported.

18238. *Q.* Do you think that it is possible to ascertain this exactly?

A. We can make a fair estimate.

18239. *Q.* The idea of sanctioning minimum quantities is altogether new to us and that is why I want you to tell me how it can practically be carried out.

A. By taking the averages of the last 10 or 20 years' consumption in India, we can fairly arrive at the approximate figure. The calculations are not difficult, nor impossible to attain and even if we make a mistake, we would make a mistake within a narrow margin.

18240. *Q.* Assuming that the minimum quantity is ascertainable, how would you control and whom would you allow to export ?

A. Could you not provide district by district the exportation to the ports only of such quantities ?

18241. *Q.* Exported by whom ? Supposing that you decide that a certain quantity of wheat should be allowed to be exported in a year, how would you regulate it, and what machinery would you employ ?

A. I would employ the simplest machinery of distributing the right of exporting the merchandise to the firms who are already in the trade in proportion to their 5 or 10 years average standard.

18242. *Q.* Do you approve of the principles which Government adopted in enforcing control during the war period ?

A. I would not like to make a general assertion about the Government policy of control but as regards this particular measure I would say that I would certainly advocate the measure of distributing the right of export to all firms who have had 10 or 15 years average of export of this commodity. I don't think that Government during the war years allowed all the firms to export with the same facilities but perhaps those are points with which we are not concerned and which we need not argue. I therefore say that I don't make a sweeping assertion that Government's policy during the war period was quite correct.

18243. *Q.* You think it can practically be carried out without giving rise to a lot of criticism and complaints ?

A. Yes, if you could do it fairly and equitably.

18244. *Q.* As regards your answer to Question No. 35 do you mean reciprocal trade treaties or preferential treatment ?

A. Preferential treatment for the country which gives us preferential treatment.

18245. *Q.* That is to say on a reciprocal basis ?

A. Yes.

18246. *Q.* Would you be prepared to accept economic loss to India for the purpose of carrying out Imperial Preference ?

A. Certainly not.

18247. *Q.* Then what you want is reciprocal trade treaties to the mutual advantage of both parties. Would you include South Africa, for instance, in that preferential treatment ?

A. Only on the condition that they give us the same advantages as we give them. The only principle that our Committee has put forward in the answer is this : that Imperial Preference is only to be resorted to in such cases where India will be receiving some benefit in return.

18248. *Q.* As regards your answer to Question No. 40 suppose we are importing a particular article from England under a 10 per cent duty and from another continental country on a 15 per cent. basis. Assuming that the condition you lay down in your answer to Question No. 39 is fulfilled, *viz.*, that India does not manufacture that article, how will the price be regulated ? On the 10 per cent. basis or the 15 per cent. basis ?

A. Most probably on the 10 per cent. basis.

18249. *Q.* If it is on the 10 per cent. basis then no advantage is secured by England.

A. But England gets the advantage of selling the article on a 10 per cent. basis. But for the preference she would have to sell on a 15 per cent. basis.

18250. *Q.* Let us suppose that a certain quality of superior piecegoods which is not manufactured in India, can be imported from Japan, America and England. Now let us assume that the cost of that article is Rs. 100 in all the countries. England pays Rs. 10 as duty, and it costs England Rs. 110 in India, but America and Japan pay a duty of Rs. 15, and it costs them Rs. 115 in India. If England sells at Rs. 110, the difference in duty does not give her more than her Rs. 100. Therefore there is no advantage to her. But take the case of the consumer now. Supposing America and Japan cannot sell the same article below Rs. 115, why should the English exporter sell it at Rs. 110 ? The English exporter would sell it Rs. 114-8 or something approximating to the competitive price of Rs. 115. The consumer has therefore to pay something under Rs. 115 instead of Rs. 110. That is, on account of the preference, the English exporter gets the benefit of the difference between Rs. 110 and Rs. 114-8.

A. I agree with you, Sir, in that view, but at the same time it should be the duty of the country which exports these articles not to take advantage of the full 5 per cent.

18251. *Q.* But the consumer would pay the benefit gained by the exporter ? Would you modify your views to that extent ?

A. I say our idea in this answer was this : originally the 15 per cent. basis of tax is to be imposed and instead of imposing 15 per cent. on English goods you give a preference of 5 per cent., thereby reducing the duty payable by the English manufacturer. But for the preference the consumer will have to pay 15 per cent.

18252. *Q.* If all the imports are on a 10 per cent. basis the consumer will have to pay only on a 10 per cent. basis. Now the benefit of the 5 per cent. preference goes to the English manufacturer ?

A. Quite so.

18253. *Q.* That is why I think you have to modify your views. (No answer).

Sir Manakjee Dadabhoy—

18254. *Q.* Your Association deals largely in foreign piecegoods ?

A. Our membership is not restricted to foreign piecegoods merchants only. We have as our members merchants dealing in goods manufactured by local mills. But of course it must be admitted that a large majority of our members are interested in foreign piecegoods.

18255. *Q.* I understand you are the Secretary of the Association ?

A. No. I am the Vice-President.

18256. *Q.* And you represent the views of this Association today ?

A. Yes.

18257. *Q.* Your Association is of opinion that you cannot have a hard-and-fast policy in fiscal matters ?

A. Yes.

18258. *Q.* I understand that your Association is of opinion that the policy to be adopted in India should be such as to meet the circumstances of each case from time to time.

A. Quite so.

18259. *Q.* Your Association is not against affording protection to such Indian industries as require it ?

A. No.

18260. *Q.* In paragraph 5 of your written statement you state : "The present policy if maintained for a long period is considered likely to help the growth of Indian industries." I understand by "the present policy" you mean the fiscal policy which was promulgated in 1921 raising the import duties to 11 per cent ?

A. Quite so, Sir.

18261. *Q.* You are in favour of retaining the present rate of duties, as you think that they will be conducive to the growth of Indian industries ?

A. And also because they are necessary for purposes of revenue.

18262. *Q.* If that be the view of your Association I cannot understand why your Association subsequently say : "The general rate of 11 per cent. is, in the opinion of our Committee a heavy one and the same should be reduced whenever the country's revenue can afford such a course being adopted." You are a little inconsistent.

A. They are not inconsistent if you agree that any imposition of duty adds to the cost of living in the country. The imposition of this 11 per cent. duty adds considerably to the cost of living in the country. Therefore, we advocate that duty should be reduced as far as possible.

18263. *Q.* At the same time you advocate that the present policy ought to be maintained.

A. We advocate it in the interest of revenue. If it is in the interest of revenue to impose a 11 per cent. duty, the committee agree that it should be maintained. But whenever there is an opportunity to reduce it then our committee advocate that it should be reduced.

18264. *Q.* If you want the duty to be reduced whenever it is possible to reduce the revenue raised, will you tell me why you advocate that the present policy should be continued ?

A. We, Sir, start with the idea that the duties are imposed for the purpose of revenue. When the 11 per cent. duty was imposed in 1921 it was imposed for the purpose of revenue. Though by this imposition indirect protection was given to Indian industries, the duty was not originally meant to protect.

18265. *Q.* Let us make the issue clear. Your Association favours the present policy by which a 11 per cent. duty has been imposed ?

A. Yes.

18266. *Q.* You do not want to go back on that ?

A. Certainly not, but if the revenues of the country do not require it.

18267. *Q.* The present policy has the indirect effect of protecting the nascent industries of India, and, therefore you favour that policy. Therefore would you not like to keep that rate of 11 per cent. at any cost ?

A. No, not at the cost of the general tax-payer.

18268. *Q.* Either you must say that the present policy should be maintained or it should not be. You cannot take up both the positions.

A. The position that our Association would like to take is this: it is in the interests of the country that the cost of living should be as low as possible. Our country is very poor as compared to other countries. The individual income in India is considerably below that in other countries.

18269. *Q.* Does your Association consider that the import duties mainly affect the masses of the people? Do the masses consume imported articles?

A. Well, some part of it goes to the masses.

18270. *Q.* A very small part, is it not?

A. Yes. At least the middle classes are considerably affected and they form the backbone of the whole society. We suggest that if it is necessary in the interests of revenue to impose a 11 per cent. duty, by all means impose it. It works both ways: it protects our industries and gives revenue. If that amount of revenue is not needed, then our Association cannot favour the maintaining of that duty.

18271. *Q.* Am I right in putting the position in this way: that your Association would not favour the imposition of the 11 per cent. duty for protective purposes?

A. If you think it is necessary for revenue purposes then you retain the 11 per cent. duty. If, when making a budget you find a deficit and that deficit will be made up by a 11 per cent. duty, then put it by all means. If there is no such deficit, and if still you advocate that in the interests of the country it is necessary to develop its industries to impose that duty, all right, we will consider the question on its merits and pronounce an opinion. We are in favour of protecting the country's industries and developing them wherever necessary.

18272. *Q.* Let me put to you a concrete question connected with your own business. Has this 11 per cent. duty really affected the imports of foreign cloth?

A. It is difficult to say. The period has been very short, and other circumstances have had a preponderant effect on the market, and I do not think I can with any confidence say that it has had any effect either for good or bad.

18273. *Q.* You say the circumstances have been such and the time so inadequate that your Association is not in a position to assert that this 11 per cent. duty has affected the imports in any way?

A. It is well-known to all that there has been several other factors that have contributed to the curtailment of trade.

18274. *Q.* But this 11 per cent. has had no effect?

A. No.

18275. *Q.* That is the point I wanted to make clear. You recommend that the duties on firewood should be withdrawn? I presume you advocate it on the ground that they are necessaries for the poor people?

A. Yes.

18276. *Q.* Does your Association import foreign yarn?

A. No. I do not think the members of our Association import it. We are piecegoods merchants.

18277. *Q.* Has your Association formed any views about an import duty on yarn?

A. We have not considered the matter at all. Yarn is not taxed at all. Personally I would rather see that they continue to come in free as they come now.

18278. *Q.* I understand your Association is of opinion that export duties are not desirable?

A. Yes.

18279. *Q.* And you would do away with these duties as far as possible?

A. In all cases. Not even as far as possible.

18280. *Q.* Except where India has a monopoly of supply?

A. Even in those cases our Association would not advocate an export duty. They consider that an export duty is bad in all its aspects.

18281. *Q.* You say that an export duty will not help the retention of the raw material in the country, because export depends on foreign factors, *i.e.*, the prices prevailing in foreign markets.

A. Quite so.

18282. *Q.* And whether there is scarcity in this country or not, export will take place if the foreign prices are higher?

A. Yes.

18283. *Q.* So you do not think it necessary to impose an export duty in any case?

A. Yes.

18284. *Q.* You say Japan has an import duty on manufactured cloth. What is the duty at present in Japan?

A. About 35 per cent.

18285. *Q.* Is the trade of your Association in piecegoods affected by Japanese imports of piecegoods in this country?

A. We are dealers in foreign merchandise. The bulk of our trade may be said to be increased or decreased according to the influx of foreign manufactures.

18286. *Q.* Unless you have any objection to answering, the question I should like to know whether the Japanese imports affect you in any way?

A. I am going to answer that question in the capacity of a merchant. Anything that comes to my hand I buy or sell. What does it matter to me whether it comes from this country or that country?

18287. *Q.* Would you differentiate between imports from Japan and those from European countries?

A. If you put it on political grounds, it is quite a different matter. As merchants it is all the same to us whether we deal in Japanese goods or English goods.

Mr. Jamnadas Dwarkadas—

18288. *Q.* Mr. Motilal, I understand that your view with regard to the import duty is that it should only be imposed for revenue purposes and that your Association is not in favour of protection because, you think that if a duty is levied for protective purposes then it means additional cost to the consumer, and, therefore, in the interests of the general public your Association would rather not have any protective duty. If a duty is required for revenue purposes then you would impose an import duty?

A. So far all right.

18289. *Q.* You know that before the war there was only for revenue purposes an import duty of 3½ per cent. and a countervailing excise duty of 3½ per cent. That from the point of view of your Association, is probably an ideal condition?

A. Certainly not. The ideal condition, according to the view of our Association, would be free imports and free exports, so that the people can get the things at the cheapest possible price.

18290. *Q.* You would not even have the 3½ per cent. import duty or the 3½ per cent. excise duty? You take this view in the interests of the general public of India. How far has that policy affected the country favourably? Do you think that the economic condition of the country has improved?

A. It has not improved the economic condition of the country. On the other hand, we have been asking for protection with a view to develop our industries but an unwilling Government has not given it.

18291. *Q.* You admit that the effect of the free trade policy which you advocate is that the economic condition of the country has not improved?

A. It cannot improve.

18292. *Q.* If the economic condition of the country is to improve then it must necessarily develop its industries?

A. Quite right.

18293. *Q.* You admit that India is industrially a backward country compared to other countries, and if you want to develop the wealth of India her industries must be developed. You admit also that the free trade policy forced on us in the interests of others has not contributed to our industrial growth. I hope you will also agree with me that it is responsible also for what is described as the miserable condition of the masses of India?

A. Yes.

18294. *Q.* Now, you are probably acquainted with the industrial history of other countries of the world?

A. Yes.

18295. *Q.* We read in history that in all those countries which are industrially far advanced today, at one stage or another in the course of their industrial development a policy of protection was adopted.

A. That is well known.

18296. *Q.* That has given an impetus to their industry and that is responsible for the more or less prosperous state of those countries. Now granting that this was the case as you yourself admit, don't you think that if it is necessary to increase the wealth of India and make the life of the people better than it is today, we must also have protection?

A. I have already told Sir Ibrahim that we would advocate progressive protection. Before introducing protection we should ascertain if it was possible for the country to bear the additional cost of living profitably. If it was not possible to develop a particular industry in this country.

18297. *Q.* Leave aside a particular industry for the present. Take the Indian cotton industry. Do not take the natural protection afforded by the war. Take the pre-war days. When the industry started, instead of giving protection to a new industry protection was indirectly given to Lancashire. The result is that in spite of her natural

advantages for the cotton industry India has not developed as fast as Japan without any natural advantages.

A. That is so.

18298. *Q.* If it is possible by a policy of protection, so far as the cotton industry is concerned, to supply practically all our wants would you not advocate a policy of protection?

A. I believe the answer given by our Association covers the question raised by you. They favour protection wherever possible.

18299. *Q.* They are in favour of protection?

A. Yes.

18300. *Q.* May I know your reason for not favouring export duties? Take jute for which is a monopoly of India. You would not object if you can get revenue from an export duty on jute?

A. I would oppose it.

18301. *Q.* It is the country that imports our jute that pays the duty?

A. The idea in the minds of our Association is it is always the country that exports that pays the duty. The country that manufactures our jute will not be able to take our jute in such large quantities as it used to take before. The duty will take away a margin of their profit, and as soon as their margin of profit disappears they will stop importing it. Therefore it is not the foreign manufacturer that pays the duty, but it is the Indian producer.

18302. *Q.* I agree that that would be the case with regard to most of the articles, but take an article like jute where we have a monopoly. The foreign manufacturer cannot get jute from any other country: he must import it from this country.

A. No. It will induce them to find substitutes. Thereby your trade will be killed.

18303. *Q.* Take Indigo. You had no export duty, had you?

A. No.

18304. *Q.* Still synthetic dye was substituted. Is it not therefore a matter more of science?

A. (No answer).

18305. *Q.* Do you advocate an export duty on food stuffs?

A. We do not advocate export duty on any stuffs whatsoever.

18306. *Q.* Now coming to the question of Imperial Preference, you say you are in favour of Imperial Preference?

A. Yes so far as India is going to be substantially benefited thereby.

18307. *Q.* Do you think that a policy of Imperial Preference when adopted by India would give this country an economic advantage considering that India has largely to depend upon exports? It exports raw materials and Imports manufactured articles. Under these circumstances do you think that the policy of Imperial Preference is likely to give any economic advantage to India?

A. Generally speaking it would, I think. There are certain special circumstances when it is an advantage.

18308. *Q.* You would approve of the Preference only if it proves to be economically advantageous?

A. Yes.

18309. *Q.* If there is a definite economic loss would you advocate it?

A. No, because the interests of our people outweigh our interest for other people.

Mr. Mant—

18310. *Q.* Mr. Motilal, there is only one question which I wish to ask you in connection with this Imperial Preference. I understood that the President suggested to you that if a preference of 5 per cent. were given to British manufacturers, they would put up their prices to say Rs. 114-8. I want you to tell me from your experience as an importer if there is considerable competition between the different manufacturers in England.

A. There is.

18311. *Q.* Would not that competition tend to keep the prices down to the level of Rs. 110.

A. There would be no particular inducement to bring it down to Rs. 110. At the same time we cannot readily say that it would be Rs. 114-8. It would fluctuate somewhere between Rs. 110 and Rs. 115 according to the exigencies of each particular merchant. If any particular merchant want to sell his goods in large quantities he might give easier prices and we may even get those articles at Rs. 110.

18312. *Q.* It really depends on the extent of competition among the English manufacturers?

A. Yes.

Mr Birla—

18313. *Q.* The first impression that I formed of you was that you were a free trader. After the evidence that you have now given, I understand that you modify your views and that you are quite prepared to protect industries where possible.

A. Yes.

18314. *Q.* In answer to Question No. 23 you say the chief aim should be to make the country independent of others for things required by the people. You mean by this that you would like to manufacture your requirements in this country instead of importing them from other countries?

A. Yes.

18315. *Q.* Would you then like to maintain the present import duty which is about 11 per cent.?

A. Yes.

18316. *Q.* Even if revenue permits it to be reduced?

A. Yes.

18317. *Q.* With reference to your answer to Question No. 16, what special measures would you advocate to assist hand industries? Had you any special idea in your mind when you framed the answer?

A. The answer has been framed to the question that the Commission has put forward before us.

18318. *Q.* You have no scheme to offer?

A. No.

18319. *Q.* In answer to Question No 34 you say that Japan can import cotton from China, Corea, Africa and America. Do you think that the quality of cotton of these countries is the same as that exported from India?

A. The quality of American cotton is far superior to that of India.

18320. *Q.* If more duty is imposed upon the export of cotton, it will tend to the import of American cotton into Japan. This is what you say. But the difference between the cost of the Indian cotton and of the American cotton is 2½ per lb. Would the Japanese import cotton from America paying high prices?

A. We do not know what duty will be levied. We want only to point out that the duty you levy should not be in excess of the value of the article in other countries.

18321. *Q.* If a moderate duty is levied, you don't think it will encourage the Japanese.

A. Certainly not.

Mr. Rhodes—

18322. *Q.* Have you been many years in export trade?

A. Yes, Sir.

18323. *Q.* How many years?

A. I can say that my firm has been for the last 50 years and over.

18324. *Q.* You told Sir Manekjee Dadhabhoy that the 11 per cent. duty had no effect on imports. I thought what you really intended to convey was that you had not been able to ascertain whether it had any effect.

A. Quite right.

18325. *Q.* Owing to the bill troubles, that is, exchange troubles?

A. Yes, that was one of the troubles. There was some trouble also from the Swadeshi movement, a movement in favour of using swadeshi articles and also in the early part from the insufficient supply of wagons for the movement of goods.

18326. *Q.* For a number of years Bombay mills have been slowly taking out a portion of the Lancashire trade. Isn't it?

A. I should not believe so. Bombay mills have been working here just as they have been during the last fifty years.

18327. *Q.* I want to get the benefit of your long experience. I want to know what changes there have been during the past 20 years as the result of the extension of Bombay mills. Has it adversely affected Lancashire?

A. Lancashire has turned to producing other kinds of cloths.

18328. *Q.* A further extension of the Bombay mill industry would not necessarily affect the amount or quantity of goods you bring from Lancashire? It would probably more affect particular descriptions.

A. Certainly, Sir, it would affect the descriptions. If India begins to produce some sort of cloth which Manchester is now supplying, then naturally the consumption or rather the imports of those cloths would be lessened proportionately.

18329. *Q.* If India progresses industrially, I presume it will have more money to spend on finer qualities.

A. Quite so. That should be the view of the Government at all times that the material prosperity of the nation should make it perhaps industrially develop further and further.

18330. *Q.* When you are advocating a certain measure for the establishment of industries in India you are really considering the interests of your own members?

A. No, no.

18331. *Q.* I mean your members would benefit by the large purchasing power of the people?

A. I think so.

18332. *Q.* In regard to imports from Japan, what class of piecegoods do you import?

A. Of course 'piecegoods' is a very general term. I am really at a loss to differentiate the goods. As a matter of fact our Association is interested in the import of all piecegoods whatsoever.

18333. *Q.* Do you import any piecegoods from Japan into Bombay?

A. We do.

18334. *Q.* Does Japan compete with Bombay mills?

A. Certainly.

18335. *Q.* In low class goods?

A. No. Such as Japan can manufacture and send we import and sell in the market.

18336. *Q.* Hosiery?

A. Hosiery, I think, Japan exports very largely to India and it has almost killed the Indian hosiery trade.

18337. *Q.* Do you get coatings and shirtings from Japan?

A. Shirtings we get. As regards dhoties we are only beginning to get. Dyeing is not perfectly done there.

18338. *Q.* Do you find that Japan competes more with Bombay mills or with Lancashire?

A. I should say more with Lancashire and less with Bombay mills.

18339. *Q.* They are using American cotton and therefore their quality must be superior.

A. Our experience is the opposite.

18340. *Q.* We have been told that Japan is competing with Bombay mills.

A. I would like to be corrected on that matter, but I have expressed my opinion.

Mr. T. V. Seshagiri Ayyar—

18341. *Q.* I believe that in Japan hosiery is a cottage industry.

A. As I said to the President, I do not know much of Japan.

18342. *Q.* Much of the ground has been covered by Mr. Jampadas Dwarakadas; so there is only one question I want to ask you. You said that if the Government has enough money by means of taxation, you would not make any attempt to put into its hands more money than is necessary.

A. Yes.

18343. *Q.* I believe that you will advocate that Government should endeavour to encourage industries in this country.

A. Cartainly.

18344. *Q.* In addition to being a tax-gatherer, it should develop the industries of the country.

A. Quite so.

18345. *Q.* Would it not be justified in imposing a tax which would have the effect of developing industries, even though more money may go into the pockets of the Government thereby?

A. We thoroughly agree with you.

18346. *Q.* You told Sir Manekjee Dadhabhoy that you would like the 11 per cent. to remain as long as it is necessary for the development of industries. If industries are fully developed you will have no objection to its being taken away.

A. No.

18347. *Q.* Now as regards the question of preference you know that our people are being treated very badly by the South and the East African Governments.

A. Yes.

18348. *Q.* Under these circumstances would you like to give any preferential treatment to them?

A. Patriotically, no.

18349. *Q.* I don't think it is industrially going to benefit you.

A. Not in the least.

Mr. Coyajee—

18350. *Q.* Mr. Motilal, may I trouble you once more about your answer to Question No. 34? Your argument is that Japan imposes heavy duties on cloth. So you wish to retaliate by placing on export duty on cotton.

A. There is no question of retaliation in my mind.

18351. *Q.* You say, 'as a measure of retaliation export duty may be imposed'.

A. I rather mentioned that as a matter of argument. I do not want to retaliate.

18352. *Q.* You are in favour of an export duty on cotton. Aren't you?

A. As we have already said, we are opposed to all export duties in principle. If Government can make out that an export duty is necessary, even then our Association would consider that it would not be beneficial.

18353. *Q.* I thought you were advocating an export duty on cotton.

A. No, no.

18354. *Q.* You are an expert in textiles. Certain proposals have been laid before this Committee and I require the benefit of your opinion. It is proposed that further protection should be given to hosiery, calico printing and cotton blankets. Now what is your view as to the advisability of giving further protection to these particular branches of textile industry?

A. I think some protection is necessary for all these three commodities. They are articles which are being manufactured here now and they can be easily manufactured. It is very desirable that these articles should be supplied by our own country rather than by others.

18355. *Q.* What sort of protection would you require?

A. I think we might go by stages. First say 10 per cent.

18356. *Q.* You mean 10 per cent. extra?

A. Yes. If that were found insufficient you might put an additional 10 per cent.

18357. *Q.* What has been the effect of the Swadeshi and boycott movement on the import of foreign cloths?

A. As I said the import of foreign cloth is now practically nil, because of various factors other than the Swadeshi movement. But from my own experience I may say that the movement of cloths from the ports of Bombay and Calcutta to the interim has been very meagre because of the Swadeshi movement.

18358. *Q.* Is not that movement itself a form of heavy protection?

A. But how long can this last? It is only a sentiment and we cannot live on sentiment.

Mr. Narottam Morarjee—

18359. *Q.* Do you know that within the last few years we have been importing very large quantities of piecegoods from Japan?

A. Yes.

18360. *Q.* You said in reply to Mr. Rhodes that the Japanese dyes are not good.

A. Yes. I think that dyeing has not been so well developed in Japan.

18361. *Q.* In 1916-17 we imported from Japan coloured goods to the extent of 219 lakhs of yards, in 1917-18 we imported 186 lakhs of yards, in 1918-19, 208 lakhs, in 1919-20, 104 lakhs and in 1920-21, 160 lakhs.

A. These figures relate to war years and years of difficulty; but in ordinary times I think perhaps Japan cotton piecegoods of a coloured variety will not stand much against Manchester, or Italian or any other countries. That is my opinion.

18362. *Q.* What do you think of the Japanese cloth in comparison with Indian cloth? Is it better?

A. I would say there is little comparison between Indian and Japan cloth.

18363. *Q.* Does your Association import a lot of American cloth?

A. We do.

18364. *Q.* How do you find it, cheaper or dearer?

A. It is all a question of exchange. Sometimes America has been able to supply very cheap; sometimes Japan was able to supply cheap during these one or two years, because the exchange has been fluctuating. In normal times I would say that America would be able to supply as cheaply as Manchester or Japan.

President—

18365. *Q.* Perhaps cheaper too?

A. Why should they sell cheapor?

Witness No. 119.

Written statement of KHUSHAL T. SHAH, Esq., Professor of Economics, Department of Economics, University of Bombay, Bombay, dated the 29th December 1921.

18366. 1. On merely abstract grounds, and without any reference to the special circumstances of a given country, I do not consider it advisable to declare any preference in the matter of the fiscal policy, which I consider should be framed with due regard to all the local conditions, as also to the effects of the proposed measures in the Tariff Scheme.

18367. 2. On the assumption, commonly made, but, in my opinion, without sufficient foundation, that the Indian people cannot be made to take a sufficient interest in their public Finance, a Tariff, raising a revenue, which would be paid unconsciously, would appear to be a more suitable form of taxation than the direct taxes, which, like the income-tax, cannot but force the tax-payer to take an often inconvenient interest in the public affairs of the country. Under the existing special conditions of India, with its divided finances, and its central Government dependent principally upon the customs and income-tax revenues for its maintenance, the choice between the two forms of taxation, in the event of additional funds being required for the needs of the Supreme Government, will not be made by merely considering the intrinsic economic merits of the alternative taxes, but rather by taking into account the political factor of the relative likely outcry from the different provinces. The guess may be hazarded that under such a contingency the Government of India, unless it comes to be influenced by considerations radically different from those which have hitherto influenced its actions is most likely to prefer an increase in Customs to meet their revenue needs. Personally, I think, from an economic stand-point, an increase in the direct taxes would be more advisable, as well as more just. Any increase in the direct taxes must recognise the fact that the most important signs single item of revenue in India,—Land Revenues,—is a form of direct taxation, based upon the complete negation of the elementary dictates of justice in its absolute disregard of what may be described as the minimum of subsistence. The fact that incomes from agricultural land are exempted from all other taxes is a benefit to a class which is in no need of such a special concession; in fact this concession, obsolete as it is, is purchased at the cost of serious injustice to non-agricultural sections of the community. A self-governing India would not hesitate to abolish this injurious exemption from taxation enjoyed by the richest and ablest section of the people of this country. But, in so far as any addition to or increase in the forms or rates, of the existing direct taxes is an attempt to obviate this glaring injustice to the poorer portions of the agrarian community, there is and can be no question of a real alternative. It is only after these discrepancies between the rich landlord's and the poor cultivator's burdens have been placed on a footing of greater equality of sacrifice, that the Government of India, in search of further funds, could really be said to have a choice between adding to their customs tariff, or to the direct taxes.

18368. 3. I do not accept the principle of tariffs for revenue purposes exclusively.

18369. 4. The existing principles of the customs revenue in India, are under the special circumstances of India, economically wasteful and nationally injurious.

18370. 5. The existing tariff policy, having been framed without any regard to Indian industries, the latter cannot, by any stretch of language, be said to owe anything to that policy. A continuation of that policy can only end in a further postponement of the industrial regeneration of India.

18371. 6. Yes, if the tariff is entirely for revenue purposes.

18372. 7. There seems to be no other plausible ground, except, indeed, the pressing need for revenue dictating such a measure.

18373. 8. No, unless the import from abroad obtains from a source where the cost of production is much below the cost at home and the duty imposed is so low as to make it negligible to the importer as against the risk of allowing a domestic product a footing in the market.

18374. 9. Yes, such a policy will improve the existing industries and introduce new ones for which the country is suited increase and diversify employment and consequently, add to the wealth and security of the country.

18375. 10. In the absence of an up-to-date and comprehensive survey of the resources and possibilities of India, and speaking only with reference to the existing data, one must admit that for a considerable time to come, and especially as industry on a large scale, with western methods and technique, develops in India, she must depend on foreign supplies of iron and steel goods, machinery and even railway stores.

18376. 11. It will not help the development of Indian industry to impose import duties indiscriminately, though revenue considerations, if allowed to become decisive in such matters, may lead to indiscriminate tariff measures. The Government of India will have to guard especially against this danger, as its most important and least perceptible form of revenue now remaining will be the customs revenue.

18377. 12. The principle on which the industry to be protected, and, therefore, the foreign imports to be taxed on India, should be such as would take account of not only the physical suitability and economic possibilities of a given industry in a measurable time in near future, but also of some special concrete advantage, *e.g.*, the availability of large supplies of raw material for the industry in question within the country itself, or for which our people have shown marked aptitude, but in which owing to the better mechanical equipment of their competitors, they have been outdistanced under a regime of free competition, with the result that the industry in question has become decadent. Shipbuilding is an example of the latter type, just as jute and cotton may be cited as instances of the former. These last mentioned industries have made commendable progress despite the policy of fanatical free trade; but that by itself is not a sufficient reason to exclude them from the benefits of a comprehensive scheme of industrial protection in India. In my opinion, any industry, the finished product whereof is consumed in appreciable quantities in India, and the raw material for which is also locally available but has to be exported partly or wholly for want of adequate manufacturing facilities within the country, so that ultimately the same raw material returns to the country in the shape of the finished article but at a tremendous difference in value due to the added charges of manufacturers and a host of other middle men must require protection. The measure and extent of such a protection are to be found in the following concrete consideration: Assuming that the *whole* of the raw material produced in the country should be manufactured in the country at least, or, in the alternative, so much at least as would supply the whole of the Indian demand for the finished product out of that raw material, protection should be granted, without being frightened by the fallacy of percentage as measured by *ad valorem* duties, till the whole of that raw material would obtain sufficient capital for the required manufacturing facilities. And the protection must be continued till the entry demand for the finished product of that industry can be supplied by indigenous production.

*In my recent work of "Sixty years of Indian Finance," p. 250 *et seq.* I have elaborated the discussion as to the principle on which industries should be selected for protection and the extent of that protection. The estimated yield from the customs revenue, p. 272 (*ibid*) assuming my suggestions were all carried out, is very moderate, as I have not quite

ignored the revenue standpoint, at the same time that I have made somewhat excessive allowance for the falling-off in trade, resulting in a reduction in the yield. See my general conclusion on p. 272-3. In the same work I have calculated the total capital needs for the fullest industrial development of India at 600 crores of rupees or, including agriculture, 1,000 crores, p. 271.

18378. 13. New industries of national importance, commonly called the Key Industries, must be established at any cost, and by any amount of protection. An instance is found in shipbuilding and its allied trade, shipping. Another may be mentioned in Engineering Workshops for making tools and machinery. A still another in the making of drugs and chemicals, and statistical considerations of mere cost in £ *s. d.* are irrelevant to such cases where the very existence of the nation may be imperilled by the neglect of having the necessary plant, or by omitting to foster the necessary skill, for such primary industries. Munitions of War and Ordnance have not been instanced, not because they are of less importance. The omission must be taken to indicate the grounds of hope that the world is returning to a normal state, in which international wars will become as discredited as they are wasteful and consequently preparations for them will not be on such a scale of national importance as they have been hitherto considered. For local wars, particularly those of national independence, it would be absurd to expect that the ruling minority in India will of their own accord, afford facilities which may one day oust their own pre-eminence.

New industries, which, without being of such primary national importance as would demand their establishment at any cost, are yet suitable to local condition, and promise reasonably speaking to be a success within a measurable near future, say the lifetime of a generation at most, may also claim protection, sugar, cotton, jute, oils, whether essential or mineral, metals and mining as well as metallurgy are all instances of the kind. The measures and extent of the protection to be given them have all been indicated above in general, *being the full difference in the relative cost of production to a representative establishment*, particular details being necessarily dependent upon the special factors affecting the industry in question.

18379. 14. The answer to this question is implied in the foregoing. In the case of industries of national importance, considerations of ability to withstand foreign competition are either irrelevant, or at most of secondary importance. In the case of those other industries, for which protection has been claimed owing to the belief that they have a reasonable prospect of success as computed in £ *s. d.* protection may be continued till at least they have come to supply the whole of the local Indian demand. It may be mentioned here that protection is advocated in India *primarily* because of the realisation of the immense loss to the country owing to its demands for manufactured articles having to be and being in fact met by foreign producers, in many cases out of raw materials supplied by India herself, and which she could very well turn into manufactured articles within her political boundaries; and not, as is the case in many other countries, because we desire to capture foreign markets for our home products. The Indian case for protection must therefore be judged otherwise and on different principles It is, of course, not inconceivable, that export ambitions and those for the conquest of foreign market may develop in this as they have grown in other countries. But the contemplation of what is at most a remote possibility must not be allowed to diivert or vitiate the imposition of a protective tariff at the present moment when India's industrial ambitions are as modest as they are legitimate.

18380. 15. Yes. In such cases a more adequate consular service would be the first necessity for ascertaining the exact facts. The measures to be adopted would of course depend upon the special circumstances of each case of unfair aid thus discovered, and they may have to be a combination of Import Duties, Transport Concessions, Special Subsidies, and even in rare cases of absolute prohibition of the import of such articles except under a special license.

18381. 16. Economically speaking, the hand industries appear to be at a great disadvantage as compared to the machine-made goods of a life description. For an equal amount of labour and capital the hand industry yields a smaller return. It is possible to maintain and foster them, not only on the sentimental plea of the lot of the handicraftsman, or the still more plausible excuse of artistic excellence and finish which machine-made goods are believed never to possess as compared to handicrafts, but even on the economic plea of better returns thanks to the cheaper supply of motive power. Electricity may resuscitate what steam power seems to have destroyed. The provision of an alternative means of livelihood to the large mass of the agricultural population in India would constitute a strong and almost unanswerable plea in favour of such handicrafts, did we all agree that the intensity of modern famines is due exclusively to this destruction of the alternative occupation by the introduction of machinery. I consider, however, that the intensity of famines is to be traced to the Land Revenue Policy of the Government of India, which, in regions where the Permanent Settlement was not accepted, failed to take into account the necessity of exempting a minimum of subsistance from taxation, and thereby prevented the agriculturist from amassing that reserve which would have helped him to tide over an unfavourable season. This is not to be taken as an argument for the universal extension of the Principle of Permanent Settlement of Land Revenue with all its attendant difficulties of landlordism and irregularities in the distribution of the national dividend, but rather a plea for the radical consideration of the agrarian policy of the Government of India. The economy of large scale or mass production is so obviously great that the maintenance of any class of hand-workers in any industry which is capable of such large scale production and standardisation of parts, would be frought with grave national disadvantage. For the preservation of hand-workers would demand special measures at the cost of the rest of the country. Even admitting that the class thus singled out for special attentions is deserving of it, and that the industry in question, is one, which owing to the large number of people concerned, may well be regarded as of national importance, the fact that such industry is in other countries worked by machine, and operated under the principle of concentrated large scale production, would necessarily make the protected hand-workers a source of permanent uneasiness; as one never knows when the degree of protection afforded them falls below the margin assumed to exist between the cost to the foreign producer and that to the hand-worker within the country. The frequent adjustment of measures of special protection, would invite unfavourable comments and cause invidious comparisons. Besides, the great argument for the national effort being concentrated in favour of those industries which are capable of large scale operation is that such industries, by increasing the division of labour, will besides affording more extensive employment and thereby relieving the present pressure on the soil facilitate the development of the neglected branches of Art and Science, which would be not the case if every one was obliged to devote his whole time for securing personal necessaries and comforts. If, therefore, the hand-loom industry in India is to be maintained, it had much better be maintained by *group action* rather than by national devices, especially those embodied in the fiscal system, and more economically maintained by a better development of cheaper power resources.

18382. 17. Yes, there is, though for the movement it is not obvious or pressing. In the event of combination developing in India among capitalist manufacturers so as to operate to the prejudice of the consumer, the safeguards to be adopted would be one or more of three possible alternatives. Price control by legislation of executive action under general legislative authority; State or Municipal operation of the industry threatened with such combination; and co-operative production. The last should in my

opinion be tried first in those industries which have already proved themselves capable of further development under adequate protection, *e.g.*, cotton or jute mills, particularly in regions adjacent to the sources of supply, and with membership largely of the growers of the raw materials and their immediate neighbours. Modification of the admitted principles of sound co-operation and production may be demanded for some time, *e.g.*, paid superintendents instead of the members themselves doing all the work of direction management and control; but such a modification would neither be unjust nor unending. State or municipal operation of industry should be tried in those cases where, as in shipbuilding, the industry, besides being new, at least in its modern form, is of national importances, and where the Government have it in their power to grant substantial, though hidden, protection in affording a monopoly of coastal traffic and mail contracts, for example. Price Control is to be resorted to only in exceptional circumstances. Generally it would not prove successful unless supported by alternative supplies under state control.

18383. 18. It is not unlikely. But in that case the Company and Partnership laws would have to be modified on the *continental* model of requiring a certain proportion of the capital to be of Indian origin, and the direction and control to be in Indian hands and on default certain high licensing duty having to be paid. The principle here suggested is at the bottom the law governing Merchant Shipping in the United Kingdom. Firms of single individuals will, of course, under such regulations, be still possible except in specially protected industries of national importance.

18384. 19. Not in immediate future; and when they do arise they would not be difficult to deal with.

18385. 20. It is possible that the whole of the import duty may be passed on to the consumer in the shape of an increase in price.

18386. 21. The rise would be temporary, and will last only so long as the industry protected has not established itself, provided that the protected industry has initially been chosen with sufficient care, and with reasonable belief in the prospects of its material success within a measurable time.

18387. 22. Yes. But the argument must not be twisted to mean that to the protectionist the consumers' interests are of no account. The consumers' sacrifice, if necessary, is also ex-hypothesi, temporary. Besides, a skilful conduct of protected industries, with suitable safeguards in reserve in the shape of price control and co-operative or collective production, will always tend to keep the increase within reasonable limits, even when the increase in price is for a time absolutely unavoidable.

18388. 23. Distinctions between necessaries and luxuries are not absolutely fundamental in constructing a protective tariff for the development of a country's industries, though of course, they should not be utterly ignored. Under Indian conditions, the absolute necessaries of life are not immediately likely to come under protective tariffs, unless we include Foreign made cloth as among the necessaries. It is, in fact, not an absolute necessary in all the variety and richness in which foreign cloth is imported in this country. But assuming it to be such, and assuming further that the corresponding home article is produced under conditions and motives which will not permit of the price being irrespective of the protective duty,—assumptions which are not strictly required by the facts of the case but may be made to clarify discussion,—the increase in price cannot be higher than the level of the duty imposed. The increase in price during war time was far in excess of any protective duty that is likely to be required or imposed in this case. If, now, in war time foreign cloth was imported and domestic cloth consumed notwithstanding the disproportionately heavy increase in price, the amount of hardship resulting from the imposition of protective duties in this instance can be gathered from such an experience, and may be declared to be not out of all proportion to the ability to buy. As a matter of fact the foreign imports in this country are of superior counts, which the Indian mills either don't specialise in for want of the required raw material, and the finished goods are for a class for whom consideration of necessaries of life being rendered dearer by the imposition of protective duties need not deter the fiscal authority from taking in hand the much wider question of a wholesale overhaul of the tariff policy.

18389. 24. The increase in price would probably be covered for the industrial wage-earner by an increase in wages, especially if the labour organisations are sound and solid enough to insist upon and obtain an increase whenever the profits of the capitalist producers seem to suggest an element of the general duty helping him. In the case of the agricultural workers, the increase in price, whenever it occurs owing to the protective duties, will at first be uncovered except in so far as the new or increased industrial facilities, by affording this class profitable variety of alternatives in employment, improves its economic position and staying power. The chance of better price for the raw materials produced by him is not utterly to be ignored, though it is conceivable that the fight for raw materials might precipitate a divergence of class interests. But the best antidote against a probable increase in prices under a protective regime is the development of co-operative production in industry as well as in agriculture. Farming in India has at present necessarily to be on uneconomic, wasteful principle, thanks as much to the Land Revenue Policy, of the Government of India, as to the people's custom of extreme sub-division of ancestral property in land. A more vigorous extension of the co-operative principle in agriculture is absolutely essential for improving the lot of the Indian agriculturist. And, if to that is added the further extension of collective, or co-operative enterprise in industry, especially by groups of agriculturist population, the danger from an increase in price level resulting from a protective fiscal policy would be negligible. As for the middle classes their lot may seem to be the hardest, as salaries and fixed incomes will not increase as fast or as much in proportion as the prices may be expected to increase. The only consolation in this case is that the variety of employment created by new industries, and the consequent increase in demand for men of brains for posts of organisation, supervision, control or direction, will in course of time help to obviate this seeming injustice. And if this is not sufficient or convincing, the only other answer is that after all the middle classes, *i.e.*, men of ordinary incomes derived from professional activities, salaried employment or fixed investment, constitute relatively a very small proportion in India; and we would not be justified, out of regard to the interests of this small section of the people, to neglect the problem of the nation at large.

18390. 25. It is premature to answer this question. The utmost that can be ventured at present is: if the policy of protection is wise in the choice of industries and successful in the subsequent development of these industries, the foreign trade will be altered in character, and possibly affected even in magnitude. The preponderent position now enjoyed by manufactured goods in the imports Schedule will probably be taken by raw materials permitting a greater variety and superior finish in the industries protected. Foodstuffs will probably remain unaffected, but articles of luxury may show an improvement, if they are impossible to be produced at home and consequently such industries are not protected, at the same time that the increasing wealth stimulates a greater consumption of luxuries. On the export side food-grains will probably continue to be exported as hitherto, but the raw materials and seeds may quite conceivably suffer a decline. On the other hand, in proportion as the policy of protection succeeds, the export of manufactures would increase. Though originally conceived with a view to enable Indian industries to gain command of the local Indian market, it is not impossible that the successful industrialism of India might seek more extensive markets in neighbouring countries, like Persia and Afghanistan, Arabia and the Eastern coast of Africa, and countries further on the eastern side of India. The general commercial position of the country will very probably be much stronger, even from the narrow standpoint of international trade with over-

seas countries. One very likely consequence of this would be a conflict with other industrial powers, probably with Japan the earliest, in common Asiatic markets. But I have no doubt about the issue of the struggle, owing to the greater inherent strength of India's resources. Assuming that the foreign trade of India is so affected by the proposed change in our fiscal policy, as to make the settlement of our annual trade balance a most difficult question, I would suggest that the part of the balance which cannot be paid in goods or gold, should be paid in securities being sent to India. It is not absolutely necessary, though often possible and always advisable, that goods should pay for goods. There is a large amount owed by us. Some 500 crores, which with a favourable annual balance of 30 crores—besides what is absorbed by Home Charges, etc., may be paid off in 15 to 20 years. If India's demand for previous metals is not to be allowed to affect the world prices injuriously this policy of exporting securities to India deserves serious consideration. *See* page 353 of my work above-mentioned.

18391. 26. As the fundamental principle on which I would advocate protection in India is in order to obtain command of Indian markets for Indian industries, I am not very much concerned, at least just at present, with the value of a protective tariff as an asset in bargaining. I consider such tariffs to be objectionable, if constructed with a view to afford bargaining facilities in international trade agreements, not only because they would promote undue and illegitimate international rivalries, with political consequences of a highly undesirable nature, but also because such an idea would ignore the only justification for protective tariffs, *viz*,, development of a country's otherwise suitable industries, which are yet impossible owing to unrestrained foreign competition. Tariffs, as a measure of offence must be condemned, both in principle and in practice. Without ignoring the fact of their existence, or deprecating their value proved by experience it might yet be maintained that the country which starts *de novo* to construct a tariff, as we in India would be doing, and keeps in view the possibility of one day being able to use this tariff for bargaining in international trade agreements, would be consciously offending against all the dictates of international amity. Free trade is sound economics, in so far as the principle of comparative costs is effective. Protection of the kind we advocate only aims at securing the freer play for those factors, which, by bringing into proper relief the true principle of comparative cost, would render freedom of exchange more equal and profitable. As such this protection can only be assumed to be a temporary measure, though its duration as a set policy for the nation may not be determined within the lifetime of the generation that commenced it, though eventually factors may appear which might even succeed in an indefinite postponement of the end of protection. But protection which deliberately starts on the frank basis of imitation, not on the recognition of the particular needs of the country, and is maintained with a view to keep up the false economic pre-eminence of the country in international bargaining, would be bad politics, bad economics, bad ethics.

18392. 27 and 28. These have already been answered in the foregoing. Without prejudice to measures which the special circumstances of a later generation may render necessary, I would not, frame India's first commercial tariff, which is intended to be protective of Indian industries only, with a view to its extrinsic value at alter date. Consequently there need be no distinction between general and special tariffs, nor any need for further detailing than is absolutely necessary to safeguard the immediate interests of the industries intended to be protected.

18393. 29. Yes, such an organisation of a permanent kind would be necessary, though I think, this commission would not be going beyond its terms of reference if it outlined the industries immediately needing protection, and laid down the general principles on which periodical readjustments might be made.

18394. 30. Export duties are usually, and rightly, regarded as expedients for revenue. But it may be necessary, to secure proper supply of raw materials for an industry sought to be protected, to charge export duty on specific commodities required for domestic manufactures.

18395. 31. Export duties usually depress the export of articles subject to such duties, except in those instances where the exporting country has practically a seller's monopoly of the taxed article, for which no effective substitute is available elsewhere, and the demand for which is too inelastic to be affected by such duties. Jute is an instance in point as far as India is concerned, while tea is not a bad second, though China is a good rival in that case. Export duties in such instances run the risk of having their object defeated by the discovery of substitutes for the commodity taxed. But the risk is negligible as such a discovery is possible by advancement of science which is not materially affected by fiscal arrangements. The synthetic dye was discovered, though India had always kept her indigo export free. Hence even while, recognising the theoretical danger I am inclined to discount it in practice.

18396. 32. For securing adequate supplies of raw materials for a protected industry, the raw material of which is produced in the country but is liable to be exported in the absence of adequate safeguards, I would suggest the imposition of such duties. Assuming the general principle of legitimate protection to be in the first place to those industries, which owing to the presence of raw materials within the country, and also to the existence of a pretty regular demand for the finished product of that industry, it would be negativing the initial protection granted to that industry, if it is allowed to be deprived of the one great facility which justified the initial grant of special protection to that industry. Cotton, jute, oil-seeds, *hides and skins* are all instances of the kind. The conditions of production in the first three cases are such that the imposition of export duties will not appreciably affect the prices for the same, though of course there is an arguable possibility that, owing to an artificial curtailment of their market, the price will unjustly be depressed to the prejudice of the producer. There is nothing for it but to consider it as a case of the necessary sacrifice which special classes must be called upon to undergo in the interests of the general public or of the nation collectively. The export duty, however, is intended not to depress prices, but to secure raw material. Hence in their adjustment it would be necessary to exert constant vigilance, so that they may not become an engine of exacting a special tribute from the producers. They must not be a permanent, but rather an extraordinary measure to be employed in predetermined circumstances of a specially bad conjuncture. Normally the export of these commodities would be more profitably regulated for the benefit of indigenous manufacturers under a system of licenses for export; but that would probably not be generally welcomed so long as the Indian Government labours under the well-founded suspicion of acting in class, as distinguished from the nations, interests of India. In the last-mentioned illustration, owing largely to the absence of slaughtering animals for food purposes in this country, the production of hides and skins is independent of considerations of the cost of production, at least in proportion to the first three cases. In none of these cases the capital invested is so specialised that it cannot be diverted by the action of even a small export duty, unless one is inclined to give undue prominence to the proverbial conservatism of the oriental races. Export duties, originating as a help to the general policy of industrial protection by fiscal adjustments must, therefore, be regarded as extraordinary measures to be used only under special circumstances which, if not attended to in time, might defeat the main object of affording national protection to the national industries.

18397. 33. Foodstuffs stand on a different footing. They are perishable, while, generally speaking, the raw materials for industries at least of the kind instanced above are not. Export duty on foodstuffs is most probably productive of an unnecessary and unjustifiable depression of agricultures in a country. They may be advocated, if at all, in the case of serious shortage of food in the country, due to famine or other such extraordinary reason, in which case perhaps a more effective remedy would be found in

a total prohibition of export, or, if export is allowed, it being allowed under a rigid system licenses.

18398. 34. The consideration of the principles of retaliation is foreign to the general argument here elaborated, as such a consideration would only arise if the Indian protective tariff was meant to enable India to have an industrial grip of the foreign markets. That not being our aim, taxation of Indian manufactures in foreign markets as a measure of their self-defence will not justify us in imposing an export duty in a spirit of retaliation.

18399. 35. No.

18400. 36. Except as a measure of teaching the importance of India to some of the British Self-Governing colonies which do not admit the Indian's right to a decent existence in their dominions, no such discrimination need be made. Ceylon, though technically a Colony, will have to be regarded for fiscal purposes as a part of the Indian Empire, unless Ceylon allows itself to be the basis of unfavourable trade operations against India.

18401. 37. Imperial preference can only be adopted by India at the cost of serious economic loss to herself, and a highly probable, though entirely unnecessary growth of unfavourable rivalry with such countries as Japan which are now amongst her best customers.

18402. 38 to 42 inclusive need no replies in view of the general position defined in the foregoing.

18403. 43 to 83 inclusive require for proper replies being given, personal experience of the specific questions thereby covered, which I cannot command.

18404. The questionnaire, however, is imperfect in two important respects. Assuming that the real object of this inquiry is the framing of a comprehensive scheme for the development of industries in India, and not merely the readjustment of tariff changes, which cannot always meet the special circumstances of each specific case of State aid for industrial development, the questionnaire might with advantage have been extended to include the importance of cheap transport on the development of industry, and also the reaction of proper credit and therefore banking facilities for the development of industries. The former is further complicated by the fact that shipbuilding and railway plant making industries are essential industries in which the mere consideration of £ *s. d.* should not be allowed to determine national effort. Transport facilities and their indispensable accessories must be developed within the country at any cost. Grant of special subsidies, reservation of the coastal trade, special terms for mail carriage are among the means that the State should adopt to assist capitalist enterprise, it it is considered more suitable for introducing this great and now decaying industry in India, though personally I would prefer that shipbuilding on the modern plan and on a large scale which would afford all the internal economics incidental to mass production should be considered and conducted as collective public enterprise, in which case the grant of special facilities would be relatively of second rate importance. Along with construction of sea-going vessels, river craft should also be developed to provide, what under the conditions of India seems to be still more important, a cheaper means of internal transport. The railways are costly to construct, costly to operate, and costly for the small traffic lots which the Indian cultivator can bring to it. River communications have infinite possibilities, but thanks to the early commitments of the State in Railways, and its financial interest in the latter, inland navigation has been shamefully neglected in this country.

The other omission is in relation to the credit and banking facilities necessary for industrial development. The effect of uncertain exchanges of trade depressions is well-known. Organisation of Banking in India is still too primitive to admit of its substantially assisting the new industrial developments expected as the result of the recommendations of this and the Indian Industrial Commission. The conversion of the Presidency Banks into the Imperial Bank of India is yet a stage behind the final step in which as a State Bank, managed entirely in public interest, and controlling all the reserves of the community, it would specialise in discovering and adopting means the more effectively, the more economically to afford financial aid to new industries. But here the question becomes inter-connected with the entire Currency Organisation of India, and as such must be left out from the statement.

Oral evidence of Mr. K. T. SHAH, Professor of Economics, Bombay University, dated 22nd February 1922.

18405. *President.*—*Q.* Mr. Shah, you are the Professor of Economics of the Bombay University?

A. Yes, Sir.

18406. *Q.* Were you at any time engaged or interested in any trade, commence or industry?

A. I was for a year or two engaged in an Engineering business.

18407. *Q.* What are your general views as regards the best fiscal policy for India?

A. If you mean in general terms of protection and free trade, I am certainly a protectionist.

18408. *Q.* In answer to Question 4 you say "the existing principles of the customs revenue in India, are under the special circumstances of India, economically wasteful and nationally injurious." Will you please explain what you mean by that?

A. Under the existing principles, customs duties are levied purely for revenue purposes without any intention or deliberate design as to the effects of those duties in promoting industries within the country. In view of the fact that the foreign imported material competes on an advantage with the home produce and that the home produce has from the State policy no advantage, I consider that a good deal of national wealth is wasted in the sense that it is being carried away by the foreign producer of the articles which, if the fiscal policy was different we could save and keep within the country. I therefore think that it is economically wasteful. I say it is nationally injurious in the sense that in the absence of such products not being manufactured within the country, we are to a very large extent reducing or minimising our scope of varied employment, consequently intensifying poverty. I am convinced that famines are far more wasteful and injurious phenomena than it would be if employment in the country was more varied.

18409. *Q.* I see your point. But if import duties are levied for revenue purposes as they are at present, they do afford certain indirect protection to local industries, don't you think so?

A. Import duties when they are imposed solely and exclusively for purposes of revenue do not take into account the difference of the cost of production of the foreign producer and the home producer. The protection, therefore, if at all there is any afforded, is unintentional and it can never be made proportionate to the actual need. Therefore even assuming that the import duty such as it is may mean certain protection, it will never be commensurate with the actual need of the industry.

18410. *Q.* I understand your position to be that the free trade policy adopted in India is economically wasteful and nationally injurious and that the revenue duties do not materially counteract the adverse effects of the free trade policy.

A. Quite so.

18411. *Q.* In answer to question 18 you say "It is not unlikely." You mean that it is likely that foreign firms will try to establish themselves behind tariff walls if they are raised in India. You say "But in that case the Company and Partnership laws would have to be modified on the continental model of requiring a certain proportion of the capital to be of Indian origin, and the direction and control to be in Indian hands and in default certain high licensing duty having to be paid. The principle here suggested is at the bottom of the law governing Merchant Shipping in the United Kingdom. Firms of single individuals will, of course, under such regulations, be still possible except in specially protected industries of national importance." Will you please explain to us what you mean by the continental model? Can you give us details of the principle

adopted by continental laws naming them, if possible, under which a certain proportion, (and what proportion) of the capital is required to be local and whether direction and control is to be kept in the hands of the local people?

A. I can give two or three specific instances. I am not quoting the particular sections of the law under which it is done. In 1901 American financiers bought out shares to a very large extent of German shipping companies. When it came to the knowledge of the German Government, fearing that the control and management might pass into their hands, they renewed the charter (or probably it was some special act incorporating that body) under which distinct provisions were laid down in 1902 that a certain percentage of the chief managerial and directorial offices should be reserved for Germans. I am speaking from memory. I think it was more than half. It was also resolved whenever capital was required to be increased that they should issue notice for the increase of capital to the shareholders. They probably changed the direction also. Another point was that all claims to subsidies or direct encouragement by the Government to that shipping company could be allowed only if they could show that the managerial and directorial posts as laid down in the law were set aside for German nationals resident in Germany. Then in 1913 there was a bill (I cannot say whether it was passed into law) introduced in the Parliament in France restricting the use of the word "French" to trades with a national character, particularly in regard to key industries, in which if at any time more than 10 per cent. of the capital was of foreign origin then that industry was to be deprived of the benefit of the French protective laws. In certain instances, the French Government frequently interfered with the quotations of foreign capital. That was with a view to discourage the introduction of foreign capital rather than with a view to modifying the corporation laws. I am pointing this out to show that if foreign capital even when it relates to a foreign industry in a foreign country is being quoted on, you are quite sure that capital is attracted to your country to the prejudice of your industry. Governments have interposed to prevent quotations in more than one instance on account of securities. The third instance I can recall is in 1908 in China, where there was a nationalist agitation against the foreigners. They were strongly opposed to concessions being given to foreigners, particularly in the mining industry. They objected to the coming of foreigners, Americans, Germans and so on. The Chinese Government was not in a position to take very strong action in the matter, but it tried to buy out the foreign concessionaires and established a new composite management where the technical skill was provided by the foreigner, usually in salaried position, and the directorial and managerial business in general was left in the hands of the Chinese. I do not know whether that was quite satisfactory in China, but in the other two instances the measures were satisfactory.

18412. *Sir Manakjee Dadabhoy.—Q.* Where could I find these?

A. You will find it in Grunzel's Economic Organisation. I think it was translated in England in 1915. You will find this specific instance mentioned there.

18413. *Q.* Where could I find the Partnership Law to which you refer?

A. I think you will find it in Dyce's Conflict of Laws and Westlake's Private International Law.

18414. *Mr. Mant.—Q.* Was this French bill passed into law?

A. I am not sure. I know that the bill was introduced.

18415. *Sir Manakjee Dadabhoy.—Q.* Would you mind sending to our Secretary the references to the pages, etc?

A. In the case of Grunzel, please see page 256 and onwards.

18416. *President.—Q.* These books give all the information you have given in your reply?

A. On this particular point yes. If you take the charter of German Shipping which I referred to you will get much more detailed information about it. I think you will find it in Lloyd Hamburg American.

18417. *Q.* I see that you have criticised the questionnaire. You call it imperfect in certain respects. If you had referred to the reference to the Commission by the Government of India you would have realised that the questionnaire is all-comprehensive. We are asked to consider and to recommend what the fiscal policy should be and what the tariff policy of India should be. We have had some evidence as regards transport having an indirect bearing. Our idea is not purely to develop industries, which matters were referred to the Industrial Commission. We have to consider the fiscal policy for the purpose of securing the growth and development of industries by means of the tariff. But if you have anything to say on the subject of better means of transport as minimising the necessity of tariff protection, we will hear what you have got to say.

A. I think you will recognise that freight rates play a very important part in the trade.

18418. *Q.* As having a bearing on the amount of protection or bearing on the question whether industries can be established without tariff protection by means of transport facilities? In an indirect way we can consider it. We cannot directly ask about transport in our questionnaire. Ours is Tariff Commission. I am prepared to hear any suggestions that you may have to make bearing on the issue before us.

A. In the matter of transport, particularly in the case of a portion of the sea borne trade we can help. The actual magnitude of the protection that you give, whether in the shape of specific duties or *ad valorem* duties, can be very effectively concealed. I think concealment is desirable with a view not to arouse unnecessary feeling of national animosity. For instance, if goods brought in foreign bottoms are charged at 20 per cent. the same goods if imported in Indian bottoms could be charged 15 per cent. The original aim of granting protection remains, and the tariff remains. A discrimination is made in favour of Indian-owned ships by this kind of reduction in the duty charged on goods brought in Indian vessels. The same thing can be done with regard to export, in case we levy duties on the export of our monopolies, which the foreigner must pay. I also think that it will be a very good thing if this Commission could recommend to Government to pay attention to Indian ships, particularly in the matter of the purchase of stores. Orders for stores are booked weeks and months in advance, and we know that they will be shipped from a certain port. I think an Indian vessel can very well time its sailings so as to be there in proper time for taking the exported goods from foreign countries. It is important to have discriminatory duties of this nature, with a view to encouraging Indian shipping. Otherwise they are liable to have trade only on one side and we would have our ships returning empty. At the present time we have an alternative in the matter of stores which we purchase from foreign countries, and we can at least arrange to guarantee a certain proportion of the traffic to the Indian vessel. It would only be a matter of manipulation. I do not know whether I am relevant, but I would say that according to calculations that I have made I find that the freight charges payable on imports and exports put together amount to three times the pre-war average. The pre-war period average the 1914 average was 25 crores, and the present rate runs to something like 75 crores.

18419. *Q.* That is to say, India pays so much in freight.

A. Yes. The pre-war rate worked out at between 20 and 25 crores. To-day it would work out at something like 75 crores. Taking the last quarter of 1921 the freights would work out at 75 crores on the traffic of 1921. I think that is a very important item of national wealth, and in my opinion this Commission would be very relevant if it drew the attention of Government to this point.

18420. *Q.* As regards your specific suggestion of differentiating duties between foreign and Indian-owned ships, can you give us any instance of any other country which has adopted that policy?

A. There is the classic instance of England before the Navigation Laws were repealed. The whole of the English Mercantile Marine was built up on these lines.

18421. *Q.* By differential duties?

A. Yes. Duties running to prohibition even. At the present time Japan is making that distinction.

An indirect distinction is to be found in the German shipping business before the war.

18422. *Mr. Narottam Morarji.*—*Q.* To pursue this point a little further what do you think of the rebate system, the rebate given by the shipping companies. Suppose you ship goods by a certain steamship's line you get a rebate. What do you think of that system?

A. So far as I understand you tie the customer to the shipper. The customer who wants to leave a shipper with whom he is habitually dealing runs the risk of losing the rebate that he may have earned.

18423. *Q.* Do you know that in Singapore steamship companies which pay rebates are not allowed to unload their goods?

A. I do not know.

18424. *Q.* In answer to question 15 you say "In such cases a more adequate consular service would be the first necessity for ascertaining the exact facts." How would you recruit such a service?

A. I would certainly recruit that service from Indian graduates, preferably men with some knowledge of economics.

18425. *Q.* As regards your answer to question 18 what is your opinion about a graduated corporation tax to be charged on foreigners who establish their factories here?

A. I think it may be possible to work graduated taxes so as to discourage foreign capital entering industries which we desire to protect and from which we desire to exclude foreign capital, provided that the graduation is sharp enough.

18426. *Q.* In your answer to question 30, you say "Export duties are usually, and rightly, regarded as expedients for revenue. But it may be necessary, to secure proper supply of raw materials for an industry sought to be protected, to charge export duty on specific commodities required for domestic manufactures." What about the loss to the producers of the raw materials?

A. I should say that if it is to be borne, it must be borne. But I think that if you lay down your export duties in such a way as to be chargeable only if the price exceeds a certain given figure, it would not necessarily involve loss to the producer, just as they used to have duties on corn in England to be imposed only if a certain figure had been reached. In the years when production was so small that prices would rise irrespective of anything the duty would not much matter. If on the other hand production was ample prices would go down. If you fix a normal point in price below which you should not charge the duty, I do not think the producer will suffer.

18427. *Mr. Coyajee.*—*Q.* Mr. Shah, it gives me great pleasure to discuss these topics with a brother of the Cross, if I may say. In the last sentence of your second answer you observe "It is only after these discrepancies between the rich landlord's and the poor cultivator's burdens have been placed on a footing of greater equality of sacrifice, that the Government of India, in search of further funds, could really be said to have a choice between adding to their customs tariff, or to the direct taxes." Is it the implication that there are some resources of direct taxation (from big zemindar for example) to tap yet?

A. Yes, I have made it clear.

18428. *Q.* I would like to discuss with you a couple of principles of protection which you have laid down. In your answer No. 12 you observe that protection should be granted without being frightened by the fallacy of percentage as measured by *ad valorem* duties till the whole of that raw material would obtain sufficient capital for the required manufacturing facilities. Now we are exporting raw materials which come back to us in the shape of manufactured products. We should have to levy import duties sufficiently heavy in order that we may produce them in the country. Now we are exporting a lot of iron and other materials from India and importing machinery. Would it not be a corollary of your principle that we should put heavy duties on foreign and machinery?

A. That would be an exception. My idea is that you should impose duties on that raw material which is available in the country and for which enough manufactures are established to give us finished products of the type that we are importing.

18429. *Q.* You would look to the stage of preparation of manufactures and development?

A. Certainly.

18430. *Q.* There is another principle of protection which you have laid down. In answer to question 13 in your third paragraph you say "The measures and extent of the protection to be given them have all been indicated above in general, being the full difference in the relative cost of production to a representative establishment, particular details being necessarily dependent upon the special factors affecting the industry in question." Here you accept the principle of protection called "equalisation of the cost of production." But you know the criticisms of that principle. It will stop all foreign trade because whenever protection is levied we put a corresponding import duty.

A. I am not frightened about the foreign trade stopping. Foreign trade is of great importance to a country which is dependent for essentials on foreign trade. But to a country which is not necessarily dependent on foreign trade for essentials, foreign trade is immaterial.

18431. *Q.* You say that foreign trade should be regulated whether under free trade or whether under protection on lines of comparative advantage, and the principle of equalisation of the cost of production would lay the axe at the root of the principle.

A. Your foreign trade, speaking generally, would alter in character. It would not be utterly destroyed. Instead of, as we have been doing, only importing manufactures and exporting raw materials, we should probably be exporting manufactures and importing raw materials, and instead of the bulk of our trade being with such advanced countries as England and Germany we should probably have our chief trade with Africa, the Straits Settlements and so on. Your direction would alter. I do not think that it would necessarily follow from this that the whole of our foreign trade would go.

18432. *Q.* Just for theory's sake, why not put a duty on that raw material which goes to Africa also seeing that our cost of production is greater than the African's?

A. The raw material would also be divisible in quality. You may require a raw material for improving some industry which you have already in existence.

18433. *Q.* You mean that there would be exceptions to this principle?

A. Certainly. It would be a matter of working out the actual tariffs.

18434. *Q.* Coming to question 16 the last sentence of your answer says "If, therefore the handloom industry in India is to be maintained, it had much better be maintained by group action rather than by national devices, especially those embodied in the fiscal system, and more economically maintained by a better development of cheaper power resources." You think there is a big future for the handloom industry?

A. I have explained that the handloom industry is as an alternative employment for the people of this country normally engaged in other industries. Economically speaking it is not profitable. For an equal amount of labour and capital the hand industry yields a smaller return. It is possible to retain it on the economic plea of profit only if you can supply cheap power, say electricity. If you supply cheap power and bring it on the same footing as other large scale operations it may be profitable. I however have said at the end of my answer that I would rather work it by co-operative devices than be dependent upon the granting of protection.

18435. *Q.* You mean to say that there are several methods of helping the handloom industry, co-operation and organisation, electric power. Given these it would be made efficient.

A. It could be made efficient. But my point is that of giving subsidiary occupation for people engaged normally in other industries.

18436. *Q.* In designing your protection you must take into account the handloom industry as also the mill industry.

A. I would rather strive for the efficiency and development of that industry by co-operation and electricity rather than by protection.

18437. *Q.* Why.

A. Because I am convinced that it is the best. I am not considering it as a subsidiary industry. The same protection which you give to the mill industry would apply to it automatically. I only state that you must not design your protection on the basis of the cost of production of the handloom industry. In designing your tariff you must take the mill industry as your basis. You must design your tariff to develop the mill industry and not the handloom industry.

18438. *Q.* A view has been put before this Commission, and I beg to submit it for your opinion. It has been argued that if a fairly heavy duty is levied on foreign piecegoods then a small excise duty can be levied on mill made cloths in order to help the handloom industry, because the cotton mills receive a large amount of protection and a little internal adjustment might be made in favour of the handloom industry. What is your opinion regarding this kind of argument?

A. It pre-supposes that the protection given to the mill product is so large as to leave a margin large enough to allow you to make a discrimination. Am I right?

18439. *Q.* The import duty is above the necessary protective margin.

A. On that assumption I have no objection at all to make such a discrimination.

18440. *Q.* Then in your answer No. 24 you suggest "The chance of better prices for the raw material produced by him is not utterly to be ignored, though it is conceivable that the fight for raw materials might precipitate a divergence of class interests." Would not that divergence be accelerated if export duties were put on the products of the agrarians?

A. I have explained that the export duty on raw materials required for an industry should be levied after a certain price guarantee in practice has been given. You should levy or graduate your export duty in such a way that after the prices give you a level pre-determined, the export duty will come into operation.

18441. *Q.* You also observe pursuing the same thought in paragraph 32. "They (export duties) must not be permanent, but rather an extraordinary measure to be employed in pre-determined circumstances of a specially bad conjuncture" that is to say the export duty should be employed only under very exceptional circumstances.

A. Yes.

18442. *Q.* And similarly in the next paragraph you observe that export duties on food grains may be advocated if at all in the case of a serious shortage of food. That too would be an exceptional policy.

A. A very exceptional policy.

18443. *Mr. Seshagiri Iyer.*—*Q.* I want to take you a little further upon the question of handloom industry. It has been put to us that the 3½ per cent. excise duty upon the cotton goods manufactured by the mills has had the effect of stimulating the handloom industry, and that if it is removed, the handloom industry is likely to suffer. Of course this excise duty has its immoral side as it is a countervailing duty but so far as it helped the handloom industry, it has been recommended as a good one. What is your opinion upon that matter?

A. Speaking only of its discriminatory effect upon the handloom industry, I should say that it would certainly benefit to that extent.

18444. *Q.* Now if the 3½ per cent. excise duty is removed, would it not affect the handloom industry?

A. To the extent that it used to be giving encouragement to the handloom industry, it would certainly have a bad effect but I should like to draw your attention to this that apart from the value of this fiscal measure, there is the efficacy of the sentiment now in favour of the handloom industry and it is very difficult to measure in a concrete way what value that sentiment has but every one of us knows that it is encouraging very rapidly. Whether it is likely to be permanent or temporary I am not prepared to say. At the present time by far and away the largest protection or assistance is given to the handloom industry by national sentiment.

18445. *Q.* I know that national sentiment is not a question of rupees, annas and pies and it might to a certain extent have the effect of making people purchase hand made things, but if the 3½ per cent. excise duty is removed, would it not have a serious effect upon the handloom industry?

A. That would depend very much upon what is the actual protection that the mill industry is receiving from the tariff and to what extent the 3½ per cent. excise duty is really encouraging the handloom industry.

18446. *Q.* At present import duty is 11 per cent. on cotton goods. Suppose you raise the duty to 15 per cent., would you then recommend the removal of the 3½ per cent. excise duty?

A. As I answered Mr. Coyajee, I would rather see whether the 15 per cent. duty affords anything above the necessary margin of protection. Personally I would keep up the excise duty in favour of the handloom industry, but that would depend how far this duty is really actual protection and over and above the actual protection.

18447. *Q.* There is only one question more about the handloom industry. You know that there is no duty upon finer counts of yarn imported from outside and if a duty is imposed upon it which is being largely utilised by the handloom weavers, would it not have a bad effect upon the handloom weavers?

A. In so far as you would regard yarn as a sort of raw material for the purpose of the industry, I would lump it with the general idea of all raw materials not being taxed.

18448. *Q.* I quite follow your answer to question 2, so far as the permanent landholders are concerned. A further direct taxation on them would not be prejudicial to them and would be beneficial to the country. I am not concerned with the kind of landlords whose agricultural produce is capable of further taxation.

A. The question is between direct and indirect taxation and my meaning is this. As the land revenue is framed here, the raiyats or the small men with whom Government deals directly are not treated in the same way as, let us say, professional men or business men in cities are treated in the case of income-tax. In the case of an income-tax you have an exemption in the nature of a minimum subsistence allowance which is free from taxation. In the case of land revenue for the smaller men you have no such exemption being given. Whether that income is sufficient for the maintenance of their families or not, their income is taxed in the manner prescribed by the Land Revenue Code of each province. As it works, the permanent settlement having been established a good many years ago and land having since improved in value over which the Government levies no tax at all, agricultural income being free from other taxation. I maintain that inequality arises therefrom.

18449. *Q.* Quite so. I leave out the permanent landholders. I want you to confine your attention to raiyatwari landholders. I take it that your principle would be this. You would like to subject the income of the raiyatwari landholders to an income-tax, that is to say, on the sum which is left after paying the land revenue.

A. Quite so.

18450. *Q.* Again you would take the income only when it exceeds Rs. 2,000.

A. Yes.

18451. *Q.* If the income is less than Rs. 2,000 you would not subject his income to a further taxation.

A. Precisely.

18452. *Q.* You are a student of History and you know that this system has been in vogue since the days of Akbar. When he introduced the land taxation, he distinctly stated that as he was introducing heavy taxation upon land, there should be no further taxation upon it.

A. My answer to that would be that we are not fixed to the particular time of Akbar. We must judge our own time by our own conditions. You have to take into account two considerations. On the one hand is the relative treatment between different classes, the business and professional men on the one hand and the agriculturists on the other. You have to see whether or not as between these two classes you have any discrimination to the prejudice of one or the other. On the other hand you have to con-

sider also whether the income in question, the wealth in question is paying any tax at all.

18453. *Q.* That must be the primary consideration.

A. Under the raiyatwari system a landowner with a fairly large income is paying his dues fixed under the settlement for 30 years and therefore is free from all other taxes or charges, which the income-tax payer is every year liable to. I submit that there is a practical injustice. The income-tax payer does not know what he would have to pay next year.

18454. *Q.* Take the case of a landlord who owns 1,000 acres. If he were to be in Madras, he will have to pay Rs. 18,000 land tax. You want that in addition to this, he must pay a further income-tax.

A. I should first like to find out what be his total income.

18455. *Q.* He will get about Rs. 15 per acre which would be a net income for him. The landowner gets less than the Government. Therefore the man, who has 1,000 acres would get a net income of Rs. 15,000 and he has paid already Rs. 18,000 to Government as land revenue and you want to subject his net income of Rs. 15,000 to a further tax. Do you think that it is fair?

A. I would say it this way. As incomes grow, the burden of sacrifice becomes smaller to a higher income, that is the principle of all our graduated taxation. The income is more, the tax is higher but the sacrifice involved is less. If his income of Rs. 15,000 is taxed at the rate at which other incomes are taxed, the sacrifice would be nothing very great, particularly as that income is what I would call an unearned income. It is not an earned income in the sense in which the professional men's income is. The land goes on earning whether the landlord is idle or not. That is the consideration which I would submit to you.

18456. *Q.* His gross earning from the land is Rs. 33,000 of which the landowner has paid Rs. 18,000 to Government as land revenue. You ask him to pay about Rs. 3,000 as income-tax. The result of it would be that out of a gross earning of Rs. 33,000, he would be paying taxes amounting to Rs. 21,000, leaving a balance of Rs. 12,000 for himself. Take the mill industry, or any other industry. Can you give another instance of a man, who earns a gross income of Rs. 33,000 having to pay Rs. 21,000 by way of taxes? I am a landholder myself.

A. I quite understand that. My point is entirely different, which is exemption for those smaller men.

18457. *Q.* That is no answer to my question.

Mr. Rhodes.—*Q.*—I take it, Professor Shah, in reference to the last question which Mr. Seshagiri Iyer asked you, that you hold the view that the landowners have not earned the income.

A. If they are not cultivators themselves, they don't.

18458. *Q.* I take it that that is your argument.

A. Yes.

18459. *Q.* I am rather interested in your remarks made in reply to question 24. I have noted them myself. On page 3 of your written statement you say "Farming in India has at present necessarily to be on uneconomic, wasteful principle, thanks as much to the Land Revenue Policy of the Government of India as to the people's custom of extreme subdivision of ancestral property in land." We had a discussion with another distinguished economist Professor Hamilton on this subject in Calcutta and you seem to agree that part of the poverty is due to this subdivision of land and to what you call a bad revenue policy. In respect of the land revenue policy, do you hold that it is bad, that we don't charge income and that the land revenue should be actually increased.

A. I have said that it is bad for two reasons. In the first place, it does not take any account of the bare minimum level of subsistence and land revenue is charged irrespective of that. If that is removed then one very serious criticism would be removed. Then in the second place both for revenue and reasons of equity the removal of that defect will have to be counter-balanced by a further imposition of duties more on the nature of income-tax.

18460. *Q.* Well, as regards the subdivision of land is there any remedy you can suggest which will prevent the economic waste?

A. I can suggest two remedies. You can have a system of pre-emption. We have no such thing as primogeniture. You can introduce voluntary permissive legislation to that effect. I would personally suggest that the remedy is voluntary settlement and therefore cultivation of land on the village system the village holding generally collectively the allocation of the task of the cultivation and so on by the village authorities themselves; practically a village republic of its own, which would make the cultivation far more profitable than it is to-day. Pre-emption is the easiest way least open to immediate criticism but this is in my opinion the most efficient.

18461. *Q.* Professor Hamilton had an idea that if we raised the land revenue, taking into consideration the question of marginal lands which would have to be treated separately, there would be fewer people attempting to live on the land and they would be wealthy. At the present moment he is of opinion that too many people are trying to live on a given acre. Is that your view?

A. I think that the pressure on the soil as I have put it is really very high.

18462. *Q.* Would the industrial development of India stop that pressure on the soil or would the rate of population increase as fast as it is removed to the cities up to the pressure point?

A. I am not prepared to answer that question. I am inclined to say that taking our social conditions as they are and also our hygienic conditions the diversification of employment caused by more rapid growth of industries will at least immediately result in a lowering of the pressure on the soil.

18463. *Q.* Would you regard it as permanent?

A. That depends upon how far with the progress of industries which I take it would also have to go hand in hand with education, the perception of one's responsibility in the size of families begins to dawn upon people. I do not know whether you are driving at that.

18464. *Q.* I am not driving at anything but I only want to get the information. You look upon the establishment of industries as having two effects, first the material prosperity and second, the educative effect on the people.

A. Yes.

18465. *Q.* Now coming to the fascinating subject of Indian Mercantile Marine, you have advocated differential duties which I take it are intended rather to allow the Indian Merchant ships to complete, in other words, the cost would fall on the consumer.

A. Yes.

18466. *Q.* In order to build up the trade, you are prepared to increase the cost to the consumer.

A. That sacrifice must be made. If you give me a concrete instance, I might perhaps be better able to make my meaning more clear.

18467. *Q.* Take the case of machinery and stores which have to be imported for the use of industrialists.

A. I would frame the tariff in such a way that all accessories to industries sought to be protected will certainly not be made themselves liable to protective duties. If therefore in the case of the machinery you are speaking of, it has to pay an import duty, the discrimination shown in favour of the Indian shipping line would be very, very small.

18468. *Q.* You would in that way be putting a duty on the imported machinery. Even if you admitted it free, the very fact that you discriminate would raise the cost to the consumer.

A. If we admitted machinery free, there would not be any discrimination, unless you give subsistence freight for bringing that particular kind of traffic.

18469. *Q.* Even if you admitted free, you are, by bolstering up the Indian Mercantile Marine, penalising the country to that extent.

A. How, in what way?

18470. *Q.* You are increasing the cost by raising the freight.

A. I am not able to see how we raise the freight charges.

18471. *Q.* If you don't raise the freight charge, how is the Indian shipping going to be benefitted?

A. It takes the competitive freight as it exists. The business should go to it on that comparative freight and we make discrimination only in the goods being imported or taken out of Indian ports. It would

therefore be a means of directing traffic to the Indian shipping line rather than manipulating freights in in favour of Indian shipping.

18472. *Q.* May I take an illustration? You have hundred rupees worth of goods coming out. These goods would cost Rs. 115 if imported in a German ship and Rs. 110 if imported in an Indian ship, is that so?

A. I will put it this way. The export value of the goods is Rs. 100. Then there is the freight of Rs. 20 and this comes to Rs. 120. According to my suggestion it would come to this. A 15 per cent. duty is, let us suppose leviable on the goods imported. When the goods reached the Indian harbour, they would cost Rs. 138, but if they were borne in an Indian bottom, it would be only Rs. 135. So, we don't meddle with the freight.

18473. *Q.* The Indian ship will be able to raise the freight to Rs. 25.

A. The Indian ship would have to take the business at the competitive rate. My point is that the Indian ship would not meddle with the freight but owing to the fact that in the earlier stages it will not be possible for it to work on the same economical lines as older established companies with a larger freight would, it would, with this advantage, probably be able to attract more business, that is, more a help in competition than a weapon of meddling with the freight.

18474. *Q.* But on the figures you have given me it appears to raise the freight from Rs. 20 to 25.

A. If you assume that the Indian shipping line is working economically on the same level with the lines with which it is competing.

18475. *Q.* I say if you charge Rs. 25 as freight, the cost of the goods being Rs. 100, it would come to Rs. 125, and then a lower duty is imposed with the result the price of the goods carried in an Indian bottom would be the same as the price of the goods imported in a German ship.

A. I will explain in this way. We have agreed that the exportation value of the goods is Rs. 100. Nobody is going to meddle so far. We will assume the freight charge will be Rs. 20, thus it comes to Rs. 120. Now the point I mention is that the duty if brought in a German or other foreign ship on this would be Rs. 18 and if brought by an Indian company the duty would be Rs. 15. If the Indian ship is able to raise, your suggestion, I take it, is that the Indian ship is in a position to charge Rs. 23.

18476. *Q.* The Indian Ship would charge Rs. 23, if it is not working so economically.

A. The *raison de'etre* of this discrimination is that it is not able to work so economically.

18477. *Q.* That would be raising the freight charge.

A. Freight charge is outside the power of Government.

18478. *Q.* The Indian ship would charge up to Rs. 23.

A. We are discussing the manipulation not of freight but of duty. The Indian shipping company will not be able to work so economically as other older companies and when the Indian shipping line is not working on that efficieincy, you are giving this protection so that it should be able to compete with others at the existing rate of freight and develop its business.

18479. *Q.* You suggest that all Government stores should come out by these Indian ships. I suppose these stores would be collected in London or in some other port, but have you realised that if these spend a month collecting cargoes it would be a loss to the company of some lakhs in interest alone.

A. I assumed that it would be possible to purchase stores and ship on a given date.

18480. *Q.* You cannot get the whole ship-load of stores at the same time.

A. Never, not even in the matter of railway plants?

18481. *Q.* No.

A. I am not in a position to say definitely by practical experience what delay would be caused.

18482. *Q.* I would just point out that it would cost Rs. 3 lakhs of rupees.

A. I would accept that figure.

18483. *Q.* There is another objection. As far as I can see a steamer collect cargoes very carefully so that if possible it absolutely fills the steamer when it is loaded down to the point which is permissible under Lloyd's rules but if you load a lot of heavy machinery it cannot do that and it would only earn about half the freight of the German or other foreign ship which is free to take any cargo.

A. That would be an argument for altering your water line or changing your Merchant Shipping Act, if you feel that it would not allow you to load the ship properly. Would it not?

18484. *Q.* I don't think that it would be. When you talk about an Indian line, do you mean that it should be manned by Indian officers necessarily?

A. In the first instance not by Indians.

18485. *Q.* It should be Indian capital.

A. Yes.

18486. *Q.* In which you include all public companies in India under Indian regulations.

A. Quite so.

18487. *Q.* And naturally you want the shares to be held by Indians.

A. I would certainly want the shares to be held by Indians.

18488. *Q.* How would you arrange that the shares should be held by Indians?

A. In the instance I gave you about the Hamburg-America Line it was laid down. In a key industry of this nature it should certainly be required that at least the majority of shares, or as much as is necessary to enable them to secure a voting majority for changing the constitution of the company should be in the hands of Indians.

18489. *Q.* India, I suppore, produces almost as fine sailors as any part of the world; that was proved in the war. Has there been any tendency among the Indians to take up this sort of work?

A. Not in very large numbers, as far as I can see. But I do not know as a fact that Indians are navigating coasting vessels on the Western coast, say from Karachi to Goa. These vessels are manned by Indians.

18490. *Mr. T. V. Seshagiri Iyer.*—*Q.* They also man the ships from Colombo to Talaimmanar.

18491. *Mr. Rhodes.*—*Q.* I want to know what class of Indians they are?

A. What we call middle-class people.

18492. *Q.* From what district?

A. Surat district and the coastal districts from Bombay northwards. On the Western side a great many of the native vessels are manned by Indians.

18493. *Q.* We have our vessels in Calcutta manned by Indians. All our vessels are manned by Indians. But they are engaged in river traffic. But what class of Indians manage the vessels on this side?

A. It is relatively the more educated classes that are managing the steam vessels.

18494. *Mr. Birla.*—*Q.* I would like you to elaborate your answer to question No. 18 in which you mention something about foreign capital. I would like to know what is your chief objection to foreigners establishing industries under protection in this country.

A. My chief objection is that in all foreign companies established with the help of protection the posts of management and direction will be held by foreigners, and the general policy of a business controlled by foreign capital would not necessarily be to Indian national interests.

18495. *Q.* What measures would you suggest to put your views into effect? How would you regulate the establishment of foreign firms here.

A. I would first of all make a distinction between several industries. As a rule all industries which are of national importance should be reserved exclusively for Indians. I would put them under my first class.

18496. *Q.* What are those industries?

A. I have principally in view the shipping industry and the banking business. Also industries, if we develop them—for the manufacture of machinery. But shipping and banking would come first. In the case of the shipping and banking firms I would at least require 80 per cent. of Indian capital. Then I would make a graduated differentiation according to the class of industry. The rate would slow down as the industry becomes relatively less and less important from the national standpoint.

18497. *Q.* Can you give us the name of any country where there are such regulations against the foreigners?

A. Beyond the instances I have given to the President I cannot give any. I know that there is a law in Germany definitely laying down restrictions about capital subscriptions in companies over and above the special instances I have given.

18498. *Mr. R. A. Mant.*—*Q.* Mr. Shah, I could not quite hear all that you said about the Land Revenue policy of the Government. I understand your criticism is based on the analogy of income-tax. You hold that the assessment of holdings of land should not be based on the land but on the income of the holders. Is that your position?

A. Yes.

18499. *Q.* That is rather a misleading analogy. Income-tax and Land Revenue are not quite analogous. You know, for instance, that many authorities hold that land revenue is in the nature of rent?

A. I should say that is not frankly claimed as in the nature of rent. Otherwise Government, or whoever so claimed it, would have no difficulty in claiming the whole margin, which as a matter of fact they do not. The economic rent would leave to the farmer nothing but the base subsistence. Absolutely the whole of the margin left over will be taken away.

18500. *Q.* In many provinces the basis of land revenue is practically rent.

A. Land Revenue is only a portion of the rent. In certain places the rent is taken by the landlord and not the Government. That is the zamindari system where rent fiures.

18501. *Q.* You are only referring to the raiyatwari provinces.

A. I am criticising the land revenue policy primarily in the raiyatwari districts and secondarily also of the permanently settled districts where under the Income-Tax Act agricultural incomes are being exempted.

18502. *Q.* I am not going into the question of income-tax. Your criticism, as far as the system is concerned is confined to the raiyatwari areas?

A. In so far as it does not allow any exemption for a bare minimum of subsistence.

18503. *Q.* Turning to your criticism in regard to the famines, in which you say that the land revenue policy of the Government has intensified famines. Here also you are referring only to raiyatwari areas?

A. Yes, principally.

18504. *Q.* Well, I am afraid I have not sufficient time to examine your view fully and I will leave it especially as it is understood that your criticism is limited to raiyatwari areas. In your answer to question No. 13 you make a very cryptic remark which I do not understand. You say "For local wars, particularly those of national independence, it would be absurd to expect that the ruling minority in India will of their own accord afford facilities which may one day oust their own pre-eminence." Could you explain that?

A. If you take it in conjunction with the foregoing remarks I think it would be clear. My general belief is that key industries must be protected at any cost, and among key industries, along with several others, I have not laid stress on the manufacture of munitions of War and ordnance in the belief that the increasing sanity of the would would reduce international wars. But you may have internal warfare.

18505. *Q.* What do you mean by internal warfare?

A. Call it rebellion of the people against the settled Government. In that case, I as a practical man would argue that it is absurd to expect the ruling minority to give concessions to the manufacturers.

18506. *Q.* You mean rebel manufacturers?

A. When they start they may be loyal but they may one day become rebels.

18507. *Q.* I am not sure that I quite grasp your meaning. You mean that the Government will not allow private citizens to manufacture munitions of war for fear that they may rebel.

A. I shall explain myself by means of an analogy.

18508. *Q.* I do not want any analogy. I want a direct reply.

A. You have the Krupps in Germany who are manufacturers of this material, and in the event of a division between the parties in the German Socialist Republic they may support one side and opposite the other. In the case of an internal warfare in India it will be a warfare between the established Government and that portion of its pleoples as did not accept your policy. In that case, when you have such a danger it it absurd to expect that the Government would give a definite encouragement for the manufacture of munitions of war by the people who may possibly use it against them.

18509. *Q.* Putting it in plain English it means that the Government would not allow private manufacture of munitions of war by the citizens for fear they may one day be turned against them.

A. Yes.

18510. *Q.* I do not like these cryptic remarks that may have some hidden meaning. I only want it put plainly.

(No answer.)

18511. *Q.* In your answer to question No. 32 regarding export duties you say: "Normally the export of these commodities would be more profitably regulated for the benefit of indigenous manufacturers under a system of licenses for export; but that would probably not be generally welcomed so long as the Indian Government labourers under the well-founded suspicion of acting in class, as distinguished from the national, interests of India." Will you kindly explain what you mean by that last remark?

A. I mean that the Indian Government or the authority which is entrusted with the task of issuing licenses is generally suspected of acting in the interests of the white men.

18512. *Q.* You say a well founded suspicion. So, in your opinion the suspicion is correct?

A. It is a suspicion. I do not think well-founded means correct. It means there is reason to believe that it is true.

18513. *Q.* Some say it is a well-founded suspicion, so you or do you not mean that it is true.

A. I mean that there is reason to believe that it is true.

18514. *Q.* Let us hear the charge.

A. The charge is if you regulate exports by licenses, the grant of licenses would be entrusted to a definite officer appointed for the purpose. There is a general suspicion, a well-founded suspicion as I say, that this particular officer would act rather in favour of class than from the standpoint of the whole interest of the nation as a whole.

18515. *Q.* From the standpoint of what class?

A. The Englishman against the Indian, to make the deepest and broadest division.

18516. *Q.* Why should he favour the Englishman? Officer himself might well be an Indian.

A. If he is an Indian, then there will be proportionately less suspicion.

18517. *Q.* If he favours the Indian?

A. Then it means that he. . .

18518. *Q.* Leaving aside all that, I want to get it from you whether *you* make this charge.

A. I mean to say that there is a suspicion and that suspicion has good foundation.

18519. *Q.* Then you do make the charge?

A. Yes, in so far as it is.

18520. *Q.* I do not like to have these innuendoes. We want to say what you really mean.

(No answer).

18521. *Mr. Jamnadas Dwarkadas.*—*Q.* In answer to Mr. Birla's question you emphasised the point that if foreign companies establish themselves in India you would provide for the capital, in certain cases 80 per cent. of the capital, being Indian. Now, do you think that if a policy of protection were adopted for the purpose of giving an impetus to the establishment of industries in India, and if foreign companies come here with a view to establish industries under that protection, would you not welcome then from this point of view: that you will have in your country industries which you had not the prospect of having before.

A. I would welcome them, in the sense, as you say, of finding new industries rising which otherwise were non-existent. Do you also assume at the same time, as I suppose it is implied in your question, that Indians are not competent or qualified or capable of starting the same industries?

18522. *Q.* I don't say at all. But you will admit that there are many instances in which in this country as well as in many other countries foreigners have often given an impetus to the establishment of certain industries.

A. Quite so: they have.

18523. *Q.* Considering the advantages that this country might have in the existence of a new industry, where is the danger of it?

A. I find danger in two respects. In the first place, the advantage in the existence of an industry is that it

improves national wealth in the shape that it adds to the individual income over and above the accruing of the additional utilities of the produce manufactured by that industry. In so far as we have had past experience of foreign capital starting industries the most important portion of the additional wealth created is not for the purpose of remaining in India but for draining it away abroad. So, even though the starting of industries by foreign capital is a desirable thing in the first instance, in its ultimate consequences it results in the wealth of the country being drained away, while the new additional employment given to the Indians is in the nature of hewers of wood and drawers of water. My idea is that while you should not absolutely prohibit the employment of foreign capital, you should at the same time tax that capital or regulate the Companies Law so as to give a majority of votes to Indians in companies employing foreign capital, so that in the event of questions of policy arising, they might have a reserve power to see that the Indian element and the national interest get proper hearing.

18524. *Q.* Your desire to safeguard the interests of Indians is dus to the suspicion that has arisen from your experience in the past?

A. Quite so.

18525. *Q.* Now, I want to put to you a question which I consider very important. In the past you had a Government in the country which was in no way a representative Government. Is it not?

A. Are you referring to the period covered by the British Rule? You are not speaking of the older Indian Governments?

18526. *Q.* I am speaking of the British Government.

A. Yes.

18527. *Q.* But you have now a representative Government?

A. Partial.

18528. *Q.* You are making an approach to full responsible Government?

A. Yes.

18529. *Q.* Even if foreign companies establish themselves here you will grant that they will have to depend for the successful carrying on of their firms a great deal on Indian support in the Indian legislatures.

A. Yes, so far as it refers to industries in general. But with reference to their particular industry?

18530. *Q.* If in any industry considerations of race predominate to such an extent as to injure India's interests, don't you think that our legislatures would be able to exercise a check?

A. That is when the representative institutions are fully developed. I am speaking of an immediate contingency and you are putting to me a rather distant contingency.

18531. *Q.* I maintain that our institutions are fully represented.

A. I rather think that even if they are fully representative, they have not got constitutional powers directly to check and control any industry in a manner that our national interests can never be abused.

18532. *Q.* That is a point on which I differ. Assuming that they have got wide powers to be able to check anything that may be done by these foreign companies from the point of view of racial considerations, do you think that the danger that you speak of is real or unreal?

A. I am trying to safeguard against as possible danger which I say we have had experience of in the past. But I am also prepared to admit that even in cases where we had a majority of Indian capital we have had a sad experience in the past of racial preference being shown to the prejudice of Indians. Everybody knows that in Bombay.

18533. *Q.* What is that due to?

A. The Indian has not yet overcome the dread of the white man and the capitalist class believe that co-operation with an Englishman or a European would make an industry more efficient; so almost all higher salaried posts and posts of management are given to Europeans.

18534. *Q.* If Indians who are engaged in big industrial enterprises believe that, it is not the fault of the foreigner. It is either because you have not got sufficient Indians to take up those positions or that the belief that these industrial people have is absolutely false.

A. It is a negative safeguard that I am insisting upon. I am not saying that by this kind of safeguard we could eliminate the danger in so far as the danger is real.

18535. *Q.* What I mean is this: while you are trying to safeguard your interests basing your measures on the suspicion that you have, is it not possible that we shall be defeating our own object, namely the industrial development of India?

A. If I can honestly make your assumption I agree. But I do not think so.

18536. *Q.* Now, with regard to the point that was raised by Mr. Rhodes about your opinion that stores should be imported into this country and exported from this country in ships owned by Indian companies, I want to clear up your position. I think Mr. Rhodes maintained that it would be an additional cost on the consumer, if there was any delay in the carrying:

Mr. Rhodes: That was a question I asked. Professor Shah accepted my statement that if there was any delay there would be a large loss to the consumer.

18537. *Mr. Jamnadas Dwarkadas.*—*Q.* I want to ask you: If protection was given to Indian owned companies in the matter of carrying stores would it not naturally follow that many Indian owned companies would come into existence and competition would be set up?

A. Yes.

18538. *Q.* Don't you think that that would eliminate the danger which Mr. Rhodes anticipates?

A. It would very probably.

18539. *Sir Manakjee Dadabhoy.*—*Q.* In Mr. Narottam's examination you have referred to graduated corporation tax. I should like to know if this tax is to be imposed on the capital or on the profits?

A. It would be initially imposed on the capital, if we are making a distinction between foreign capital and indigenous capital. It was not my personal suggestion.

18540. *Q.* But you approved of it.

A. I said it would do if you put it on capital.

18541. *Q.* Would it be an effective bar to the introduction of foreign capital?

A. So far as the graduation is sharp enough.

18542. *Q.* You know that India is dependent for the consumption of her raw materials on foreign countries. Have you considered what effect it would have if the foreign countries retaliated?

A. Yes, I have, I think that in a good many cases our raw materials are such essentials that the foreign countries are not in a position effectively to retaliate.

18543. *Q.* Now, would you go to the extent of having no foreign capital at all than to have foreign capital without any Indian control?

A. I would certainly not say that we shall have no foreign capital at all, but I would also try and put such inducements as we can for Indian capital to come out.

18544. *Q.* That is very commendable, but the question is how is it practicable.

A. In my view it is feasible if we lay our hands on such sources as accumulation of charities, trust funds, etc. We must amend our law in such a way as to permit these trust funds being invested, as you now allow them to be invested in railway securities, in such securities as the Imperial Bank of India, or such other securities as have the imprimature of the State upon them.

18545. *Q.* In your definition of foreign capital, do you include British capital?

A. Since our struggle is with British industries, I would say so.

18546. *Q.* Is your differentiation possible in the present constitution of Government?

A. Do you mean in the sense of citizenship being common?

18547. *Q.* In the sense of common allegiance to the King-Emperor?

A. I think you can make a differention on the basis of domicile.

18548. *Q.* You think you can insist on the company being floated in this country with a rupee capital and make the presence of Indian directors obligatory?

A. And the officers.

18549. *Q.* That is possible?

A. Yes.

18550. *Q.* I want you to explain your answer about the majority of votes being in Indian hands. Your argument may be very saund so far as the initial stages or the flotation of the company is concerned. But once the company is started, how would you retain that the majority in Indian hands?

A. On almost every transfer form we have got a note that no transfer will be registered unless it is

approved by the directors. So you can control the transfers.

18551. *Q.* Would you restrict the transfer to Indians? Have you considered the effect of it in depreciating your scrip?

A. I am saying that the industry sought to be so protected should be of national importance, and we all recognise the importance.

18552. *Q.* Then would you extend such a system only to industries of national importance? Would you allow other industries to be owned indiscriminately?

A. I would discriminate according to their degree of importance as national industries.

18553. *Sir Manakjee Dadabhoy.*—*Q.* That is your principle. You would not extent it to all industries?

A. No.

18554. *Q.* You will allow indiscriminate flow of foreign capital to all other industries.

A. Yes, if they are not of national importance.

18555. *Q.* Do you really mean to tell the Commission that the 3½ per cent. excise duty does substantially and appreciably affect the handloom industry?

A. Yes, to the extent of 3½ per cent. it must encourage it.

18556. *Q.* In what way? You don't think the duty on cotton is so great that it at all affects.

A. I have made that assertions assuming there was much. Of course I have no particular personal knowledge.

18557. *Mr. Rhodes.*—*Q.* In regard to shipment of Government stores, do you want that Government should purchase its stores in India or from abroad?

A. First, I would prefer Government purchasing in India.

18558. *Q.* Would you prefer Government encouraging local industries rather than Indian shipping?

A. I mean the encouragement of local industries by Government buying locally and thus helping them should come first.

Witness No. 120.

Written statement of Sir Vithaldas Damodher Thackersey, Kt., M.L.A., No. 12, Hamam Street, Fort, Bombay.

18559. 1. I favour a policy of Protection.

18560. 2. I consider that Customs Tariff provides a more suitable form of taxation for India than direct taxation. If fresh taxation were necessary, I would prefer an increase in customs rather than an increase in direct taxation.

18561. 5. I consider that the existing Tariff policy has had a very adverse effect on the development of Indian industries. It was only last year that the Tariff was raised to 11 per cent. Unless the Tariff is based on the policy of protecting industries, and particularly the nascent ones, it will be impossible in future to develop industries on a large scale.

18562. 6. I think it will be a great mistake to impose Excise duties on the articles manufactured in India simply because an Import duty is placed on similar articles.

18563. 9. In my opinion, the Tariff should be framed primarily with the object of fostering Indian industries. Under a Protective Tariff, industries would be developed and would give more employment to the country. In India, where the prosperity of a large number of the population depends on the seasonable rainfall and where a bad monsoon creates a great deal of distress amongst the poor, a more permanent nature of their employment in the industries would greatly help them. The experience of all civilized countries both in Europe and America is a standing example of the prosperity obtained by the Tariff policy. England is the only country which has supported Free Trade.

18564. 10. I am firmly of opinion that, given a chance, India will become in time, independent of other countries in regard to most of her requirements of manufactured goods.

18565. 11. I would favour the imposition of a general protective duty on all imported manufactures.

18566. 14. I would particularly protect industries which are likely after a period to be able to face foreign competition without much assistance even if a small continuous assistance is necessary. I would not care to protect industries for which India does not produce raw materials and which may require continuous protection on a very large scale. In my opinion protection of industries does not necessarily mean that everything is to be manufactured in India and nothing to be imported; in fact, economically it would be better if protection is given to the industries for which India is most suitable and has the natural advantages; of course, in any case all the "key" industries and such other industries which may be necessary in case of war to make India self-supporting should be protected.

18567. 15. Yes; special protection against foreign goods favoured by such measures as dumping, bounties, subsidies or Transport concessions should be granted. The information can easily be secured through our Trade Commissioner or the British Consuls, and the best way of affording protection is to put additional countervailing duties to the extent of the subsidies. In case of dumping which, in most cases, is done by the manufacturers themselves and not by the foreign Governments, a "Dumping Duty" on the lines of Canadian legislation may be introduced.

18568. 16. I am in favour of maintaining the cotton handloom industry as a cottage industry to give employment to the agriculturists and others during their leisure hours. In my opinion, handloom industry as an industry specially started on a large scale to give permanent employment will never pay if worked in competition with the power loom industry.

18569. 17. In my opinion, internal competition amongst the protected manufactures will bring down the prices to a fair level, but in case any Trusts were created, to raise the price, Government will have ample powers then to deal with such Trusts on the lines of the measures taken by the United States Government; but that time is far distant and the Government of the day can consider the question.

18570. 18. I think that with a protective policy British and foreign industrial firms will endeavour to establish in India but in any event they will have to give employment to Indian labour; I would not interfere with such a movement, provided no special concessions are given to these foreign firms to exploit the raw materials of India unless not less than half the capital in the companies started by such firms is Indian and the Company is registered as an Indian Rupee Company.

18571. 19. I do not think that there will be any difficulty in adjusting any difference of opinion between the interest of the manufacturers and the producers of raw materials. The decision may be arrived at on the basis of the greatest good of the largest number and the general prosperity of India.

18572. 20—22. Special protective duty in the early stages may result in the rise of price to the consumer but ultimately in the industries where India has natural advantages, the internal competition amongst the manufacturers will bring down the level of prices. It cannot be denied that a general Protective Tariff may, to a certain extent, increase the price, but the effect of this would be counteracted by the compensating advantages of a general rise in wages and the general prosperity of the country as has been proved beyond doubt in all countries of Europe and America.

18573. 23. The principal articles which are necessaries of life are foods and clothing both of which India produces abundantly and there is not the slightest danger of the price of these articles being unduly raised. Articles like sugar will, to a certain extent be affected in price but India consumes very largely jaggery (*gur*) which being a home grown product will not be liable to duty.

18574. 24. In my opinion, the scale of wages for all workers will greatly increase.

18575. 25. The experience of other countries which have followed the policy of Protection has clearly shown that foreign trade and the general commercial position and the prosperity of the country are not adversely affected.

18576. 26. Yes; I consider that the existence of a Tariff would be of great help to India as an instrument of bargaining with other countries.

18577. 27—28. I would reserve the power of giving favourable treatment to countries who treat our exports favourably and the extent of the favourable treatment would depend upon how far the imports of those countries give advantage to our country and therefore, it would be

necessary to make our tariff more detailed than it is at present.

18578. 29. With a protective Tariff it would naturally be necessary to maintain a permanent organization for investigating the claims of various industries to protection and the periodical adjustment of the tariff rates.

18579. 30. I do not think that Export duty should be levied for the protection of the manufacturers in the country but for revenue purposes such duty may be levied when necessary on the export of such of the raw materials as are the monopolies of India, such as Jute, Tea, etc.

18580. 31. If the Export duty is levied on commodities which are India's practical monopoly it would pass on naturally to the consumers of the foreign countries but if it is levied on articles of Export which are sold in the foreign market, in competition with foreign products, there is a probability of its being borne by the producers in this country.

18581. 32. I do not consider it advisable to impose an Export duty on raw materials in order to encourage their retention in the country either for purposes of manufacture or for any other purpose.

18582. 33. I do not consider it wise to impose an Export duty on food-stuffs as it would tend to reduce the income of the agriculturists and other producers. This however does not effect the question of prohibition of export of food-stuffs in times of famine or shortage in which case prohibition may be justified as a temporary measure.

18583. 34. I would not consider it advisable to impose Export duty, on raw materials in retaliation for Import duties imposed by a foreign country on the manufactured article.

Imperial Preference.

18584. I should like to qualify my replies under this head by the statement that, in my opinion, the policy of Imperial Preference would be of great advantage to the Empire including India provided the decision as to the extent of the Preference to be given should be decided entirely by the Lagislatures in India and that there should be no power of veto or dictation under law either by the Governor General in Council or by the Secretary of State. If such absolute power is not given to the Indian Legislatures or, in other words, if India cannot control her policy of Imperial Preference, it would be dangerous to include Imperial Preference in our Statute Book. In the absence of full control by the Indian Legislatures, it would mean dictation by the Secretary of State under pressure brought by the English Manufacturers and the position of India would be very precarious. Subject to the full control by the Indian Legislatures, I am in favour of Imperial Preference to be given on the lines adopted by the Self-Governing Colonies. The Self-Governing Colonies have the right of withdrawing such Preference, and if the policy of Preference is to be adopted in India, the Indian Legislatures should have a similar right.

18585. 35—38. On general grounds, I am favourable to the idea of Imperial Preference but the extent of the Preference will depend upon whether India is putting upa high protective tariff or a low one. If a high protective tariff is maintained, India may be justified in giving Preference to the extent of one-third as in the case of Canada, Australia and New Zealand, but if the duties are not very high, then India should give a rebate of 3 per cent. *ad valorem* as in South Africa. I do not think that there would be any appreciable economic loss by following the South African policy. It must, however, be clearly understood that Imperial Preference should only be given to such of the Dominions in the Empire as are prepared to give the Indians the same rights of citizenship as India gives to their citizens.

18586. I do not apprehend any likelihood of serious retaliation by foreign countries against India as our chief exports are raw materials which the foreign countries require for manufacturing purposes and which in most cases are admitted by them free and would be continued to be admitted free in their own interests.

18587. 39. So long as the general tariff is high and the Preference given is small, I would not make any distinction between the cases of goods which India hopes in time to manufacture mainly or entirely for herself and of goods for which India is likely to have to depend on other countries.

18589. 40—42. I do not anticipate that the prices to the consumer would necessarily be raised nor the total volume of Indian Exports or Imports is likely to diminish appreciably by the adoption of a system of Imperial Preference. I do not also think that India's general trade position would be injured to any extent by a system of Imperial Preference.

18590. 43. I am interested in the Cotton and the Cement Industries.

18591. 44. In both the cases *viz.*, the manufacture of cotton goods and the manufacture of cement, India has great natural advantages as all the raw materials are found in the country.

18592. 45. Both industries are essential to the national security and the economic prosperity of India.

18593. 46. The organization in both these industries is efficient.

18594. 47. Both these industries have a very large market in India.

18595. 48—50. In the case of cotton goods, India has to meet a very severe competition from Japan. A full statement of the position of the Indian cotton industry as regards the competition with foreign manufacturers is given in the memorandum submitted by the Bombay Millowners' Association with which I entirely agree and I do not wish to lengthen this memorandum by a repetition of the same.

18596. As regards cement, Indian manufacturers have to meet severe competition from Belgium and Germany, chiefly owing to the disorganization of their Exchanges. India will produce from this year much more cement than it consumes at present and the internal competition will keep the price fairly low. It is, therefore, absolutely necessary that the Indian industry should be immediately protected against undue competition from foreign manufacturers, and that the maximum tariff permissible by law should be levied against cement imported into India. At the present moment cement from the United Kingdom is imported at a cost of about Rs. 90 per ton while the Belgium and the German cement can be imported at about Rs. 65 per ton.

18597. 51—53. The cement industry will not need large protection permanently against foreign competition, but there is no reason why an ordinary tariff should not be levied against cement to prevent temporary dumping by foreign manufacturers.

18598. 54—55. It is difficult to prophesy how long the disorganization of the foreign exchanges would last, but so long as it continues it is doing harm to the Indian industries.

18599. 56. The cement industry has received a partial benefit from the enhancement of the tariff since 1916, but there were only three factories of them. More factories will start this year and next year and I believe that the large quantity produced in India and the internal competition will adjust the prices for the benefit of India.

Oral evidence, Bombay, dated the 22nd February 1922.

18600. *President*:—You are a member of the Legislative Assembly?

A.—Yes.

18601. *Q.*—Do you represent the Millowners' Association?

A.—Yes.

18602. *Q.*—You are interested in cotton and cement industries?

A.—Yes.

18603. *Q.*—You favour a policy of protection?

A.—Yes.

18604. *Q.*—In answer to Question No. 5 you say 'I consider that the existing tariff policy has had a very adverse effect on the development of Indian industries'. Would you explain what you mean by that?

A.—Our Tariff policy has been based on free trade principles. Only last year we put heavier duties owing to the exigencies of revenue. A duty of 2½ per cent. or even 5 per cent. has no protection practically for new industries and it is very difficult for new industries to compete with long established industries of Europe, America and Japan unless there is a sufficient protection at least in the early stages to give those industries a life.

18605. *Q.*—That is to say, you mean that the tariff policy under which revenue duties are imposed has not contributed to the encouragement.

A.—Yes, encouragement of industries.

18606. *Q.*—With reference to your answer to Question No. 9, your view is that diversity of employment in industries would help to increase the prosperity of a large

number of the population of this country who are dependent on agriculture ?

A.—Yes. That is my view. At present a comparatively small percentage of the population is employed in industries. The whole population practically depends upon rainfall. If you have a very large percentage depending upon industries just as in all other civilised countries there is less chance of people depending upon rainfall. They will have other sources of income and will not entirely depend upon good seasons.

18607. *Q.*—What would be your idea of the proportion of the population employed in industries ? Would it be 10 per cent. or 20 per cent.?

A.—India has a big population ; it is very difficult to fix the percentage.

18608. *Q.*—By large percentage, you mean sufficient to create an impression ?

A.—I will give an instance. A large number of people from Ratnagiri are employed in Indian industry. Even in the years of bad rainfall, they are able to pay Government taxes because part of the people are earning their living in Bombay and they send their money to Ratnagiri.

18609. *Q.*—Quiteso. You have raised a very important point. What effect has the drawing away from Ratnagiri of such a large number of people to industries in Bombay had on the agriculture of the district ? It has been pointed out to us that intensive industrial development would draw away a large amount of labour from agriculture which would adversely affect agriculture. Now about two or three hundred people at least have been drawn away from Ratnagiri district to Bombay and other places for industrial places. What effect has it had on agriculture ?

A.—I am not aware of the actual conditions. I have not heard that there has been any adverse effect. I have not heard that there is not sufficient labour for agriculture. My information is that some members of the family come to Bombay while the others remain in their villages and attend to agriculture.

18610. *Q.*—Your impression is that there is sufficient spare labour which can be diverted to industry ?

A.—Yes.

18611. *Q.*—In answer to Question No. 11 you say 'I would favour the imposition of a general protective duty on all imported manufactures'. Would you favour a general protective duty or would you have a discriminating protective duty according as it may be required under the circumstances of each case ?

A.—I mean by the answer that there should be a general duty of 30, 25 or 20 per cent. as may be decided by the Legislature. Then I will make a distinction ; thus for instance, if we require agricultural implements we will put a lower duty on them and so on.

18612. *Q.*—Then you would discriminate in the sense that you would reduce the duty only for particular objects. Otherwise you would maintain high duties ?

A.—Yes, that is the policy of all protectionist countries They reduce the duty only for special reasons.

18613. *Q.*—You know that all duties are paid practically by the consumers. Then the high duties would adversely affect the consumers who are very poor ?

A.—Well, as I have said later on, the principal items required by the general population are food and clothing and these articles are obtained at the most favourable rate or at least can be obtained.

18614. *Q.*—In answer to Question No. 13, you say 'I would not interfere with such a movement provided no special concessions are given to those firms to exploit the raw materials of India unless not less than half the capital in the companies started by such firms is Indian and the company is registered as an Indian rupee company'. What do you mean by this ? Will you please explain what you mean by concession to exploit raw materials ?

A.—There are two methods by which foreign companies may be started ; some may come and start of their own accord without any special concessions from Government. We cannot prevent such firms coming in and we have no objection to their coming and trading in India. But if any special concessions are given such as mining rights which the State possesses, then I say that the company that takes the special concessions ought to be an Indian rupee company with at least half of the capital subscribed in India.

18615. *Q.*—There should be special conditions attached to the concessions ?

A.—Yes.

18616. *Q.*—Your answer to the question about Imperial Preference is very interesting, because you are bringing out a new point. You say 'I should like to qualify my reply under this head by the statement that, in my opinion, the policy of Imperial Preference would be of great advantage to the Empire including India provided the decision as to the extent of the preference to be given should be decided entirely by the Legislatures in India and that there should be no power of veto or dictation under law or either by the Governor General in Council or by the Secretary of State.

This really means complete self-Government in fiscal matters ?

A.—That is the exact position that I have taken in regard to Imperial Preference. Otherwise it would be very dangerous to introduce the system of Imperial Preference in India.

18617. *Q.*—By Imperial Preference you mean that the trade relations should be mutual and on a reciprocally advantageous footing, that is to say, you want the Legislature to decide whether in giving and taking preference there is mutual and reciprocal advantage to both contracting parties ?

A.—That is my principle.

18618. *Q.*—That is why you advocate that the Legislature should be absolutely empowered to deal with the matter ?

A.—Yes I may say that there is a good deal of feeling about this Imperial Preference and the main reason why there is so much opposition in the country is because the feeling is that the Imperial Preference won't be a voluntary preference by the Legislature, but by dictation. That is the reason why the opposition is so great.

18619. *Q.*—Well, I will put it this way. There is a feeling that Imperial Preference will not under the present conditions be on a basis of reciprocal advantage but will be one-sided.

A.—Yes, there is a danger of that.

18620. *Q.*—As regards your cement industry you say that "Indian manufacturers have to meet severe competition from Belgium and Germany, chiefly owing to the disorganization of their exchanges. India will produce from this year much more cement than it consumes at present and the internal competition will keep the price fairly low. It is, therefore, absolutely necessary that the Indian industry should be immediately protected against undue competition from foreign manufacturers, and that the maximum tariff permissible by law should be levied against cement imported into India." At present India has a protective duty of 11 per cent do you think it is adequate ?

A.—Owing to the disorganisation of exchanges they are able to sell at very low rates even in competition with English cement.

18621. *Q.*—You say that Great Britain quotes Rs. 90 per ton and you also say that Belgium and Germany are able to quote Rs. 65.

A.—That is what we have in actual experience.

18622. *Q.*—What amount of protection do you require ?

A.—That will be of course for the Legislature to say.

18623. *Q.*—You have not considered the matter ?

A.—We want a general protection.

18624. *Q.*—You know that cement is of very great value in building houses.

A.—Yes, cement can be obtained and will be obtained at a very low rate in India by its own competition.

18625. *Q.*—Then why do you want further protection ?

A.—Because this is not what we call fair trade.

18626. *Q.*—You want special protection against dumping for temporary periods ?

A.—Yes.

18627. *Sir Manakjee Dadhabhoy.*—You have been a member of the Factories Commission ?

A.—Yes.

18628. *Q.*—And as such you had opportunities of coming into direct contact with Indian conditions of labour all over India ?

A.—Yes.

18629. *Q.*—When you speak to-day about these labour matters in reference to agriculture you speak from first hand knowledge acquired by personal investigation on the spot ?

A.—Yes.

18630. *Q.*—In your opinion the apprehensions about the agricultural industries suffering by diversion of the agricultural labour to industries are unjustified ?

A.—I have not seen any case where the agricultural industry has suffered for want of labour. I do not think that for years to come such a danger is imminent.

18631. *Q.*—Do you think that the percentage of the population that will be diverted to industries will be infinitesimally small as compared with the total population employed in agriculture ?

A.—Yes.

18632. *Q.*—In your opinion it is essentially necessary that the industries of India should be safeguarded and protected as supplying avenues of employment to a large

number of people who on account of the pressure on land at present are unable to get a living?

A.—Yes.

18633. *Q.*—I have summed up your conclusions, I suppose, rightly?

A.—Yes.

18634. *Q.*—I understand that you do not object to foreign capital coming and settling down in this country if they come without any privileges and compete with us on a footing of equality?

A.—I welcome it as a source of employment to our people.

18635. *Q.*—Only you will not give them special concessions?

A.—No concessions.

18636. *Q.*—Then of course a certain amount of Indian capital should be taken?

A.—Yes.

18637. *Q.*—I understand you think that India cannot embark on a policy of Imperial Preference unless we get fiscal autonomy.

A.—I have fully replied on the matter. I am convinced that if we have a controlling voice and if we have reciprocal advantage then a policy of Imperial Preference would be advantageous both to us and to the Empire. But in the absence of such full control it may be dangerous.

18638. *Q.*—Can you get this full control without fiscal autonomy?

A.—I think it would be wiser on their part to allow us this power and allow us to have Imperial Preference.

18639. *Q.*—You are interested in the textile industry as a director of many concerns in Bombay. I should therefore like to have your definite opinion on the question as to whether the present duty of 11 per cent. adequately protects the textile industry?

A.—I do not wish to say that we want any special protection for our industries as a general rule. But if you by a general policy of higher tariff incidentally give greater advantage to the Indian industries the chances are that the industries will flourish still more. More mills will be erected, they will manufacture finer counts and they will supply greater requirements than at present. But I do not wish any special protection.

18640. *Q.*—Do you think the present prosperity will continue?

A.—The present prosperity will not continue. But we hope to stand on our own legs without any special protection.

18641. *Q.*—You want the 11 per cent. duty to be maintained?

A.—I think it is a fair duty.

18642. *Q.*—Would you remove the excise duty or would you retain it?

A.—I am altogether against the excise duty on principle, and this fact has been more than once repeated in the Imperial Council. This duty has been maintained because the Government wants revenue. But it has been condemned on principle from the very beginning. It was introduced at the bidding of Lancashire and later on revenue considerations came in and they said they could not afford to forego the revenue. So it is being kept on.

18643. *Q.*—In your answer to Question No. 33 you say, 'I do not consider it wise to impose an export duty on food-stuffs as it would tend to reduce the income of the agriculturists and other producers. This however does not affect the question of prohibition of export of food-stuffs in times of famine or shortage in which case prohibition may be justified as a temporary measure.' So if there is shortage in the country you would stop export by an order of prohibition?

A.—Yes, under exceptional conditions. I would not like to protect Indian industries by levying export duties.

18644. *Q.*—As regards cement I want to ask you one or two questions. Can you give me an idea of the total demand of India, how many tons?

A.—The total demand is three hundred thousand tons. I give only a rough figure.

18645. *Q.*—What is India producing now?

A.—By the end of the year it will begin to produce three hundred thousand tons. There are still some factories under construction. With the completion of these factories, the total production will vary between five and six hundred thousand tons.

18646. *Q.*—Almost double the quantity?

A.—Yes.

18647. *Q.*—In that case the prices are bound to go down considerably. How will protection benefit you when the output is a considerably more than the demand?

A.—With the reduction of prices the demand will increase.

18648. *Q.*—You want some sort of protection only temporarily?

A.—Yes, for this period only. We have no complaint against English cement coming in. It is this disorganisation of exchange.

18649. *Q.*—I suppose the railway rates and shipping charges are also against you?

A.—The principal reason is this disorganisation.

18650. *Mr. Jamnadas Dwarkadas.*—The President has already asked you questions with regard to the argument brought forward by free trade witnesses that by giving protection to the industrial development of this country you will take away men who are at present usefully employed in agriculture. Do you think from your own experience that if India continues to grow industrially for a number of years there is any danger of depleting agricultural labour?

A.—I do not think that there is any danger in that direction for years to come.

18651. *Q.*—At the same time don't you think that the present entire dependence on agriculture is responsible for the miserable conditions of the masses?

A.—Yes.

18652. *Q.*—Is it a fact that the growth of industries will increase the purchasing power of the agricultural labourer, that he will be able to spend more on his own comforts, and that his standard of living will improve? Is it not?

A.—In India it is not a question of famine of food; it is a famine of money which creates the difficulty. If the agriculturist has got money the food can reach him. It is therefore a famine of money and not of crops?

18653. *Q.*—I take it that you believe that for the future prosperity of India industrial development is entirely essential.

A.—Yes.

18654. *Q.*—Then there is one statement that you make which is of interest from a historical point of view. You say 'England is the only country which has supported free trade.' Now we have been told by many competent witnesses who are very good students of history that if you look at the fiscal policy of England you will see that it has risen, through protection, to this condition.

18655. *Q.*—This is so, so far as historical facts are concerned. I am only mentioning that she has been following a policy of free trade for the last 60 years. It has been able to stand on its own legs. The position of England is quite different. It imports all raw materials and exports all manufactured articles. This is quite a peculiar position.

18656. *Q.*—You say that you do not like the excise duty because it is bad in principle. That can be true of the excise duty which was levied as a countervailing excise duty of 3½ per cent. on cotton. If there is a margin between the import duty and the excise duty would you still object to the excise duty?

A.—I object to the excise duty on principle. If it is for revenue purposes you may put an excise duty on all kinds of production.

18657. *Q.*—I thought that your objection to the countervailing excise duty was on the ground that it was an indirect protection to Lancashire.

A.—I say it is wrong in principle, No country taxes its own manufactured article on which there is an import duty for revenue purposes. We put an import duty for revenue purposes and we put an excise duty to countervail the import duty. It was wrong in principle.

18658. *Q.*—With regard to the handloom industry which you have touched on in your answer to Question No. 16, if I understand you correctly, I think that you do not believe in the future of the handloom industry if it means to compete with the power industry.

A. What I mean is that the handloom industry is a very important and a very useful industry, if a man in his own cottage takes to the handloom and weaves during his spare time attending to his own ordinary vocation. But if he wants to start 200 handlooms and takes to weaving as a business he will never do it in competition with the mill industry.

18659. *Q.*—Would you encourage it as a subsidiary activity?

A.—Certainly, I will give all possible help to it as a cottage industry.

18660. *Q.*—You make an interesting statement with regard to the establishment of foreign firms in India. You point out that you would welcome the advent of foreign firms in India except where special concessions are to be given. I wonder if you have any experience of concessions given to foreign firms or to Indian firms in the case of mines. What is your view with regard to those concessions?

A.—If you begin to take a particular instance, I think you will be creating rather an ill-feeling. I would not go into particular instances. What I say is that if the country has a certain concession, say coal mining, that concession should not be given to a foreign firm unless half the capital is Indian. I do not think it is advisable to give instances of particular firms, and so on.

18661. *Q.*—Whatever policy of protection is adopted, you would welcome foreign firms?

A.—Yes. If they come to us, they are welcome?

18662. *Q.*—In your answer to Question No. 29 you refer to the need of a permanent organisation for investigating the claims of various industries and the periodical adjustment of the tariff rates. Have you any idea as to what should be the constitution of that permanent organisation?

A.—I have no idea about it. I thought that there should be a certain organisation before whom people who have complaints may put forward their claims. The report of the organisation may be placed before the Legislature, and the Legislature will decide about giving concessions in regard to the duties. There must be an organisation to attend to that.

18663. *Q.*—This body will be somewhat of an advisory body?

A.—It will be an advisory body to the Legislature.

18664. *Q.*—The ultimate decision will rest with the Legislature?

A.—Quite so.

18665. *Q.*—You state that you are not in favour of export duties. But would you have an export duty on articles in which you have got a monopoly, for instance, jute?

A.—That I have mentioned. I would not put an export duty for the purpose of protecting the industries that use that raw material.

18466. *Q.*—As regards the question of fiscal autonomy that you touched in answer to the President's question with regard to Imperial Preference, do you know what powers we have now under present arrangements. The Joint Committee's report clearly lays down that if in any particular point the Government of India and the Indian Legislatures agree, then the Secretary of State cannot interfere. These are the powers that are vested in us at the present moment, and it is said in the report of the Joint Committee that the full development of fiscal autonomy will come automatically, not by statute, but by convention, with the growth of responsible Government in India, as has been the case with all Dominions. Taking the powers as they are vested in us at the present moment are you prepared to support Imperial Preference of any kind?

A.—I have said clearly that if India cannot control her policy of Imperial Preference, it would be dangerous to include Imperial Preference in our Statute Book.

18667. *Q.*—As you are one of the most important witnesses that this commission has examined, I would like to put to you this important question. We had many questions on that point this morning. That is with regard to the shipping industry. You know that at present there is nothing like what you would call an Indian mercantile marine. What are your views with regard to the Indian mercantile marine?

A.—I do not think that you will ever be able to create a mercantile marine unless the same steps are taken which the Japanese took in the early stages. One such step is that all coastal traffic was by law prevented from being carried by anybody but the Japanese. The very first step that we should take is to introduce a system by which the Indian ships would have greater and greater trade on the coast. I have considered this very important matter. It might be argued that at present we have not got sufficient ships in India to warrant such legislation and that some of the ports will be without ships if foreign ships did not come in, and if you do not allow foreigners to have their trade. The first thing to be done would be this. So long as Indian ships are plying to and from Indian ports, by some method it might be made difficult or impossible for the competing foreign ships to cut the rates. Suppose, for instance, the trade is between Bombay and Madras or Bombay and Calcutta and that Indian firms carry mails or some other article. There is a competitor, an old established firm. The old established firms will cut the rates and make them very low and practically compel the new Indian company to go into liquidation. The new firm cannot compete with the old firms. They are so powerful that they can afford to lose on a particular line for years together without their total income being affected. The step that the Indian Government should take should be to prevent such cutting of the rates, to see that the rates do not go below a certain point. Some legislation may be passed to penalise that. Another thing, which Government should do at once, is to make the policy of giving refund on the freight by the trade illegal. Suppose there is trade between Rangoon and Bombay. A large company says "If you ship all your articles by our ships for the next 12 months we will give you 20 per cent. rebate." This means that when an Indian company comes in all the merchants who are engaged with the existing companies cannot send their goods by the ships of the new company, because they will lose all the advantages of their rebate. So the rebate system must be declared illegal, at least so far as it affects the Indian mercantile marine.

18668. *Sir Manakjee Dadabhoy.*—Do you think that there would be no rebate given if you pass the law? Many people do it.

A.—If you pass a law, those who break the law will be dealt with according to the law. We do not want to make the giving of rebate legal. Unless these things are done at once, I am convinced that you will never have an Indian mercantile marine.

18669. *Mr. Jamnadas Dwarkadas.*—You think the existence of an Indian mercantile marine is one of the main factors that are necessary for the development of Indian industries?

A.—Not only for Indian industries, but for our own defence. We are now entirely dependent upon England. If by any means communication is rendered difficult, we will be in a difficult position. No country which cares to protect its own coasts can be without a mercantile marine. Japan has done it. America in spite of the fact that it entailed a very large cost, created a mercantile marine. When I was in Japan in 1919 the Government gave something like 5 to 7 million yen for shipbuilding. They promised 155 million yen as debenture loan for creating 500,000 tons in that particular year.

18670. *Q.*—At what rate of interest?

A.—I think they wanted 5 per cent. The keenness of the Government was so great that ministers invited the company managers to their own offices and told them "Our programme is to have 500,000 tons of mercantile marine next year. What do you want?" By joint arrangement they wanted 5 million yen, and they agreed to it. I think it was in March 1919.

18671. *Mr. Mant.*—You have made your general position quite clear with regard to protection. There is only point that I would like to ask you about, and that is with regard to these special concessions, which you would refuse to foreign firms. I understood that in answer to a question of Mr. Jamnadas Dwarkadas with regard to mining concessions at any rate you dropped the word "special" and would not give any concessions at all. Is it what you mean?

A.—I would not give concessions to foreign firms unless half the capital is Indian.

18672. *Q.*—I want to clear up what is meant by concession. Let us look at the case of the Forest Department. They have valuable property. They are trying to get people to take up particular industries and to work the various products. It is not very easy to get capital and enterprise to come forward.

A.—I think if you have sufficient patience people will come forward when they get more confidence. Suppose there is a certain forest product which you want to develop and you want to give a concession for 40 years say for that article. Instead of giving away your valuable product for 40 years to any body in a haste you can wait say for 5 years until you get Indian capital invested.

18673. *Q.*—You would rather delay the development of the forest property than develop it by means of foreign capital?

A.—I would not hurry up to part with a valuable asset for a long term of years in that way. If the

proposition is really sound I do not think there would be any difficulty of getting half the capital invested in India.

18674. *Q.*—That has not been the experience of the Forest Department. You would not give any concessions then?

A.—No, unless on those conditions.

18675. *Q.*—About the cement industry, may I ask you what company you are connected with?

A.—I am Director of three companies and Managing Agent of one company.

18676. *Q.*—You gave an estimate just now of the present consumption of cement. You said it is 300,000 tons. That consumption is merely kept down at present by the very high price of cement. Is it not?

A.—It is quite true. Even before the war the consumption was very little in India.

18677. *Q.*—Was not that due to the high price of cement?

A.—Before the war the price was kept at Rs. 50.

18678. *Q.*—Rs. 50 may be too high?

A.—You cannot mix cement even at Rs. 50.

18679. *Q.*—You cannot now, but you could before the war. I will give you an instance. We have in the Punjab hundreds of miles of canals from which the water is leaking, valuable water for the crops. We want cheap cement for lining those canals. The amount that could be profitably used is purely a matter of price?

A.—I think you will be able to get cheap cement when the Indian factories are working.

18680. *Q.*—When there is cheap cement there will be a larger demand?

A.—It is certain that the price will come down.

18681. *Q.*—Cement is used for many other objects besides canals. It is used for railways dams, viaducts and several other things. The public needs of cement are very wide?

A.—I entirely agree with you that the price of cement ought to be brought down.

18682. *Q.*—You say that there is no reason why an ordinary tariff should not be levied against cement to prevent temporary dumping by foreign manufacturers. What do you mean exactly by that?

A.—I mean the ordinary general tariff which the Legislature may decide upon as a general policy. At present they have 11 per cent. If they change the general tariff as a general policy that should be against cement also.

18683. *Q.*—How is it treated at present?

A.—As a general tariff.

18684. *Q.*—You are not recommending for any change? You are not asking for any special protection for cement?

A.—No. The special protection comes in owing to the disorganised exchanges of the competing countries. That is only as a temporary measure I am asking.

18685. *Q.*—What is it you ask for in your answer to Question No. 48? You say "It is therefore absolutely necessary that the Indian industry should be immediately protected against undue competition from foreign manufacturers and that the maximum tariff permissible by law should be levied against cement imported into India".

A.—The maximum tariff permitted by law. At present it is 11 per cent.

18686. *Q.*—You are not asking for any special protection there?

A.—No.

18687. *Q.*—I found it difficult to justify what I thought you intended. The use of cement is so wide. It is of such great benefit to the country. If you put on a high duty it would tend to raise the price of cement?

A.—We must create more demand in our own interests.

18688. *Q.*—Anyhow, if you are not asking for any special protection, I will not trouble you further.

18689. *Mr. Birla.*—In your answer to Question No. 11 you say that you would favour the imposition of a general protective duty on all imported manufactures. Do you include yarn among the manufactured articles?

A.—The Government of India have not put a duty on it. They argued that yarn was required for the hand loom industry.

18690. *Q.*—What are your definite views about it?

A.—My own view is that yarn should be treated as a manufactured article, as it is being treated in Japan.

18691. *Q.*—Do you think that protection should be given to the spinning mills as well as the weaving mills?

A.—I think yarn should be brought under the ordinary tariff which is applicable to cloth.

18692. *Q.*—It has been suggested to us by many witnesses that a 3½ per cent. excise duty and free import of yarn will support the hand loom industry. I would like to know your views?

A.—I am not grudging support to the handloom industry.

18693. *Q.*—I know that you are in favour of maintaining the hand loom industry. But I ask you would you like to support the hand loom industry by making the import of yarn free and keeping the excise duty as it is?

A.—Hand looms mostly use Indian yarn. It is only the finer yarn that is imported, the products of which are consumed by the richer classes and the middle classes. They pay for them. Even if you put a little duty on imported yarn it will be passed on to the consumer, because the finer cloth is purchased as a luxury.

18694. *Q.*—Do you think it will be possible for the Indian mills to spin the finer counts of yarn without any protection?

A.—We may raise our spinning from 40S to 50S or 60S. It is quite possible.

18695. *Q.*—With regard to the question of Imperial Preference, you say that subject to full control by the Indian Legislatures, you are in favour of Imperial Preference to be given on the lines adopted by the self-governing colonies. You are in favour of Imperial Preference being given if you have full control by the Legislatures. As it is you have got full control by the Legislatures. Have you got any scheme by which without economic loss to India we can adopt Imperial Preference?

A.—We have the right of bargaining and can adjust our tariff according to the best interests of India.

18696. *Q.*—I cannot understand how, even if you have go full control by the Legislatures, you can have Preference without economic loss to India. Will you please explain?

A.—Preference is given to Empire articles for the benefit of both parties. It is for the benefit of India and the other party. You give them a little advantage in competition with countries which are not in the Empire. If you have got the power we can try to adjust the tariff in the same way in the best interests of India. If we have not full control it would mean dictation by the Secretary of State under pressure brought by the English manufacturers and our position would be precarious. In that case it is not required.

48697. *Q.*—You know that England largely imports raw materials and exports manufactured articles. I do not think, for example, granting that we give preference to the Empire, if we impose an import duty on raw cotton from America, they would take the Indian Cotton free of import duty. I do not think they would do that.?

A.—I do not say what they will do. Perhaps they may not do it. But I say that without the power of full control it is dangerous. Pressure has been brought before on the Secretary of State and things injurious to India have been done.

18698. *Q.*—Even with full powers, I do not see how we can give preference to the Empire without economic loss to ourselves.

A.—Canada has given it. Australia has given it. I say we should give it. We should certainly give preference, because the Empire will be greatly benefited.

18699. *Q.*—But I do not think their position is quite the same as ours.

A.—I say only if our position is the same as theirs. Only then I would introduce preference in the tariff.

18700. *Mr. Rhodes.*—*Q.*—As a member of the Legislative Assembly when I joined this Commission I did so in the full belief that we had fiscal autonomy. Was I not correct in that?

A.—We have fiscal autonomy by sufferance. So long as the power which the Secretary of State has got is not exercised we have got fiscal autonomy.

18701. *Q.*—Do you think that is a practical proposition, the power of veto? In Australia and in Canada it was never exercised.

A.—When we get the position by actual experience and if we are placed in the same position as Australia, I am

perfectly willing to introduce preferential tariffs. If the Government in England declares that they will treat us in the same way as they are treating Australia and Canada and subject to the same conditions, I am perfectly satisfied.

18702. *Q.*—What I understood was that we have fiscal freedom.

A.—We have not. That is a fact. If we had, of course, it would make much difference.

18703. *Mr. Jamnadas Dwarkadas.*—You know that when the Lancashire deputation waited on the Secretary of State he refused to interfere saying that India had now fiscal freedom, and that the Government of India and the Legislatures had agreed in the matter.

A.—Yes. Things are coming to that gradually.

18704. *Mr. Rhodes.*—There are very serious complaints against the Bombay millowners, but they have not let me down. Three years ago when I came over here to arrange for standard cloth I was told that the Bombay millowners would never give what we wanted without legislation. I came over here and we got everything we wanted without any difficulty. I was told the Bombay millowners were exclusive in their protection demands. So far I have seen nothing of the sort.

A.—We are not asking for any protection so far as the Bombay mills are concerned.

18705. *Q.*—You have at present on your cotton goods a revenue tariff which gives you an advantage over the foreign cotton goods of 7½ per cent. If for revenue purposes the excise duty was taken off and the import duty reduced to 7½ per cent., the industry in itself would be no worse off.

A.—No. I would be pleased if the excise goes, away.

18706. *Q.*—Our President in his examination of Mr. Bell raised a very important point. He said that at present we have a revenue duty which has a protective nature, but that the danger to the industry is that they never know when, owing to the demands of revenue being greater or lower, that duty will be raised or lowered. I suppose a revenue duty is open to that objection, from the industries point of view. You are never quite sure from year to year what duty will be put on.

A.—Revenue duty on what articles?

18707. *Q.*—Cotton say. The point is this that Government may want a lot of money this year and they may put on 20 per cent. on cotton goods. They may want no money next year and they may take it off. That is not in the interests of the industry?

A.—I do not think that happens with all protective countries. Even under a free trade policy it does not make much difference. We had free trade for years together. The change was only 1 per cent. or 2 per cent. The change was not of a serious character.

18708. *Q.*—You did not want a change.

A.—That was not because the Government of India wanted it.

18709. *Q.*—It was because it was a revenue duty.

A.—Although it was a revenue duty I remember that it was removed at that time by the pressure of Lancashire. It was Lord Ripon's time.

18710. *Q.*—Suppose you have revenue duties put on and taken off owing to the requirements of finance by the Legislative Assembly, you have your duties liable to be changed back-wards and forwards.

A.—The revenue duties were formerly always regular and ought to be regular. We had these revenue duties all these years and I don't think that we had any serious changes from year to year. The changes were made in the salt duty and when we had better finances we gave up the salt duty.

18711. *Q.*—Now in the present difficult state of Government finances I want to put the present position to you. Supposing we were to take off the excise duty altogether and we were to lower the import duty on cotton goods to 7½ per cent. you have told us that the industry would be exactly in the same position.

A.—Yes.

18712. *Q.*—If you wanted more revenue and if we put on a consumption tax on the top of 7½ per cent. and to the same amount on the Indian production, would that help the mills at all?

A.—It is a wrong principle and a dangerous principle.

18713. *Q.*—You would still have the 7½ per cent. margin?

A.—I am not arguing about the excise duty whether it is a hardship or not.

18714. *Q.*—I am talking of the consumption tax as it exists in Japan. It is put on in addition to an import duty as an extra?

A.—Then you could put it on other articles. You can put it on Jute.

18715. *Q.*—I am suggesting it as a general principle. Is it a sound principle?

A.—That is a different question. We shall have to consider whether the policy of taxing our own industries in India for revenue purposes against higher tariff is a right policy or not. I don't think that it is a right policy.

18716. *Q.*—If you were to tax your local industries say by 5 per cent. then you could also put on a 5 per cent. duty on the imported article so as to countervail the other way.

A.—I say that the Indian manufactures should not be taxed at all. If you want more revenue, put more import duties as all countries are doing.

18717. *Q.*—Won't this affect the consumer?

A.—I don't think so.

18718. *Q.*—When the prices of imported articles rise high, the prices of local articles also rise high.

A.—Comparatively very little. Prices went up because we could not get machinery during the last 5 years. You will find that within the next two or three years our production will increase up to 30 or 40 per cent. more and the prices will all come down.

18719. *Q.*—You suggest now that if the Government wanted more revenue, they should get it out of import duties and if they want less they should take off the import duties, that is a corollary.

A.—I do not know whether the position would ever arise. We will require crores and crores of rupees, and the time will never come when we won't require money.

18720. *Q.*—You would have a fluctuating duty, which is an objection.

A.—The expenditure of the country is always great and if the country has more revenue, it could be spent on education, etc.

18721. *Q.*—You would put your duties high and if you had some spare money, you would spend it on education, sanitation, etc.

A.—Yes.

18722. *Q.*—The only other point I have got to deal with is the cost of transport and I want to make your position quite clear because you import your coal from Bengal by sea and large quantities of your piecegoods which compete with the Japanese piecegoods go back to Bengal by sea.

A.—Yes.

18723. *Q.*—You are not contemplating any action which would raise freight, I understand.

A.—No.

18724. *Q.*—And any protection given to the Indian merchant shipping would be designed not to raise the rates above their present level.

A.—My proposal is not to give protection to Indian industries but my object is to prevent undue cutting by the foreigners in order not to benefit the trade but to kill the competitor and raise the rate after securing the monopoly. I may say here that the freight from foreign countries to India is lower than the freight from Bombay to Calcutta.

18725. *Q.*—That is my own experience, and I had to suffer.

A.—I will give you an instance. The freight from Calcutta to Bombay is Rs. 18. I do not know whether it is as much from England to Bombay, a distance of 6,000 miles.

18726. *Q.*—Do not the millowners charter a ship to bring the coal?

A.—No.

18727. *Q.*—Is not that a way out of your difficulty?

A.—Charter from whom?

18728. *Q.*—When you charter, you have got the whole world to charter from.

A.—We have lived like that and we want to have an Indian mercantile marine.

18729. *Mr. Seshagiri Ayyar*:—I do not know whether you remember the steamship company which started

plying from Tuticorin to Colombo and from Colombo to Madras.

A.—I do very well.

18730. *Q.*—You remember the ordinary charge for a passenger was Rs. 12 before the Indian company was started.

A.—I do not know the exact figure.

18731. *Q.*—The British Indian Steam Navigation Company reduced the rate to Rs. 9 and the Indian Steam Ship Company also had to reduce the rate to Rs. 9. Then the British Indian Steam Navigation Company reduced the rate to Rs. 6 and that killed us. That is the short of thing you want to guard against ?

A.—Yes. I can give you a very much worse case. We were charged very high rate for carrying yarn to China and Japan. In order to bring down the rate, Tatas arranged with a Japanese company and chartered some boats. As soon as these boats came in, the British Indian Steam Navigation Company reduced the rate very low and cancelled the rebate to the merchants who shipped by their boat and made the position of the other Indian firms who chartered the boats impossible. In the course of two years we lost lakhs of rupees and gave this up. Now the rate from Bombay to Japan for cotton is cheaper than from Bombay to Shanghai. It would pay to carry cotton from Bombay to Japan and from Japan to Shanghai than from Bombay to Shanghai. One Japanese firm started this business. They carried cotton to Japan in 1918 and from there reshipped to Shanghai at a great profit.

18732. *Q.*—As regards fiscal freedom I think if I may say so with great respect to Mr. Jamnadas Dwarkadas, what the Secretary of State said was this, as there is a representative body sitting in India it should be given a free hand in regard to fiscal matters. That is what he stated and as a matter of fact you know that the Government of India Act contains a provision which gives the power of veto to the Secretary of State.

A.—I know.

18733. *Q.*—What one Secretary of State may do to-day will not be necessarily binding upon the Secretary of State who comes hereafter. ?

A.—Quite so.

18734. *Q.*—If in a conservative cabinet a new Secretary of State comes in and wants the support of Lancashire, he may say " I have the power of veto."

A.—Until the definite power is given, I would not trust to sufferance.

18735. *Q.*—Moreover Lancashire, notwithstanding the reply of the Secretary of State is still insisting. I do not know whether you have read the latest pronouncement of the Secretary of State which is that he hopes that this Commission would not recommend a heresy of protection. That shows the danger of embarking upon a policy of protection when we have not got fiscal autonomy ?

A.—Quite so.

18736. *Q.*—As regards the question of agriculture suffering by a diversion of labour to industrial concerns, you know that so far as Bombay is concerned there are fewer emigrants than there are in Madras and in the United Provinces ?

A.—Yes.

18737. *Q.*—We have not got industries to give work to these people as you have round about Bombay ?

A.—Quite so.

18738. *Q.*—That shows that industrial concerns are needed in the country. The population would be absorbed, they would find work in the country and their wealth will be retained ?

A.—That is the experience of all industrial countries.

18739. *Q.*—I want you to forget for a moment your objection to the excise duty. Which would you prefer, a 7½% import duty or a 11% import duty and 3½% excise duty ?

A.—So far as the excise duty is concerned, we are not fighting for the sake of profit or loss. We are fighting for the sake of principle. The injustice of that and the dictation by which it was brought forward is so ripe in our minds that we cannot forget. But for the country's good, I may say, that if revenue is wanted and if Government can not forego the excise duty of 3½% I have no objection. My point is about the way in which the duty was put.

18740. *Q.*—And the way in which it was introduced also ?

A.—Yes, and maintained. A time may come when this may be adopted in the case of all industries.

18741. *Q.*—This 11 % import duty and 3½ % excise duty while giving ample protection to the millowner would put more money into the pockets of Government ?

A.—Surely.

18742. *Q.*—And there is also another thing. This excise duty will give protection to the handloom industry to a certain extent, won't it ?

A.—I don't think that there is any competition between the handloom industry and the mills.

18743. *Q.*—I am not speaking of competition. I say that it would be a sort of a protection.

A.—Very infinitesmal. The cloth produced by the handloom industry is not manufactured by mills.

18744. *Q.*—It would be a sort of inducement or help ?

A.—Theoretically it might be.

18745. *Q.*—As regards cement I take it that there is a growing tendency on the part of house builders to use cement in preference to *chunam* ?

A.—No.

18746. *Q.*—In our parts we prefer to go in for cement which is more lasting and more durable than plastering with *chunam* ?

A.—May be.

18747. *Q.*—*Mr. J. C. Coyajee.*—If you will kindly turn to your answer to Question No. 18, I will put you a question or two. You would not give any special concessions to foreign firms. Would you allow them to purchase these concessions from Indian firms who have got them already ?

A.—That of course comes to the same thing. The Government of India have always the right of transfer of a concession and naturally when they ask for a transfer the Government of India will see that the purchasing party has half the capital or not.

18748. *Q.*—Apart from this matter of special concessions, you would welcome them ?

A.—Certainly.

18749. *Q.*—As an expert once told me when a foreign firm comes in, we are the ultimate heirs of the enterprise because we can always imitate the foreigner and take the wind out of his sails.

A.—I believe that India will ultimately gain by getting larger employment for her people. What does it matter, who gives ?

(The witness withdrew.)

Witness No. 121.

Messrs. Killick Nixon and Company, Managing Agents, Bundi Portland Cement, Limited.

Written statement, dated the 18th February 1922.

Indian Portland Cement.

18750. We have the honour to submit for consideration by the Fiscal Commission the advisability of increasing the Duty on Imported Cement as a protection to the Cement Industry which has been developed in this Country since 1914 and in which the rupee capital invested is it is estimated nearly 2½ crores.

18751. In 1913-14 the Imports of Portland Cement were 179,000 tons. At that time India produced no Portland Cement of reputation. During 1921 the output of Works completed in 1914-15 was 100,000 tons. In 1922 it is estimated the output will be 285,000 tons and in 1923 this will be increased to between 600,000 and 700,000 tons.

18752. The Indian Manufacturers are at a disadvantage compared with European Manufacturers in that their Coal costs more, their Technical Staff costs more while their products are mainly carried for long distances by rail. At the present time steamer freight for the 6/700 miles from United Kingdom and Continental Ports to Indian Ports is actually less than the rail freight on Cement for the 600/700 miles from Cement Works in the interior to Indian Ports.

18753. Inasmuch as the Industry in India will shortly provide for consumption in the Country more than 4 times the pre-war requirements of the Country, the importation of foreign Cements often of inferior quality but marketable on account of their cheapness is likely in a short time to seriously hamper the indigenous industry, thereby reducing output, curtailing employment of labour and reducing the revenue payable to Government on raw materials and the revenue of the Railways which at present get the benefit of the traffic.

We submit the case of this Key Industry deserves serious consideration at the hands of the Fiscal Commission,

Witness No. 122.

The Katni Cement & Industrial Co., Ltd., 11, Elphinstone Circle, Fort, Bombay.

Written statement, dated the 18th February 1922.

18754. We desire to bring before the Indian Fiscal Commission for consideration various questions pertaining to the Portland Cement Industry in India.

Explanatory.—The future of this industry has at present every appearance of being seriously hampered on account of the drop in sea freight *against the enormous rise in railway freight which we understand will be further increased in the near future. As an instance of this we would point out that the railway freight from Katni to Bombay is at present Rs. 19-8 per ton as against Rs. 10 in 1915.*

18755. 1. We do not advocate a hard and fast policy of either free trade or protection.

18756. 3. We consider that the articles imported which can be manufactured in this country should be taxed through the imposition of a heavier Customs duty.

18757. 4. We consider that articles such as machinery which cannot be manufactured in this country should be free from Customs duty.

18758. 5. The continuance of the existing policy in the future would we consider incline to dumping of foreign goods.

18759. 6. If a duty is imposed on an article imported from abroad we do not consider it right that an excise duty should be imposed on the same article manufactured in India as in the case of Cement Government already derive their revenue from Rents, Royalties, etc.

18760. 7. We would suggest that a distinction be made between the Home Manufacturers and the Foreign Manufacturers by adopting the policy followed in Australia in connection with cement which is a duty of 1 per cwt. on British cement and 1-6 per cwt. on Foreign cement.

18761. 8. There is no reason why the additional duties if imposed should increase the price to the consumer provided the Indian Railway Companies co-operate by carrying goods at a more reasonable rate of freight.

18762. 9. We consider the tariff should be framed with the object of fostering Indian Industries. The advantage of this we anticipate would secure employment to the labouring classes and thus tend toward better condition and to a great extent prevent the seriousness of famine.

18763. 11. Answered in question 3.

18764. 12. Answered in question 4.

18765. 15. We consider special protection should be granted by the increase of Customs duty against Foreign goods favoured by such measures as dumping, bounties, subsidies or transport concession. The facts could only be ascertained by finding out the selling price of the material in the country of origin for consumption there, *plus* freight, and the rate at which it is sold in India. There is difficulty however in procuring this information as Bills of Lading in many cases do not state the freight and the Shipping Companies in England will not divulge the amount paid for freight per ton and refer enquirers to the manufacturers who again will not give the information.

18766. 44-45. The usefulness of the cement industry in India was shown during the war when the Munition Board commandeered the output of all the cement Factories.

Oral evidence of Messrs. R. H. Cherry and East, Bombay, dated the 22nd February 1922.

18767. *President.*—*Q.* Mr. East, I understand that you represent only one of the many activities of Messrs. Killick Nixon and Co., *i.e.*, dealing with cement.

A. (Mr. East.) Yes.

18768. *Q.* As the question of Manganese does not arise, I will take you as representing the cement industry in which Messrs. Killick Nixon and Co., are interested?

A. Yes.

18769. *Q.* (*Mr. Cherry.*) You represent the Katni Cement and Industrial Co.?

A. Yes.

18770. *Q.* I will deal first with the Katni Cement Company's Statement, Mr. Cherry. You say that the future of the cement industry has at present every appearance of being seriously hampered on account of the drop in the sea freight against the enormous rise in railway freight which you understand will be further increased in the near future, and then you say that the railway freight from Katni to Bombay is at present Rs. 19-8-0 per ton as against Rs. 10 in 1915.

A. That is right.

18771. *Q.* You say that this rate of increase is prejudicial to your industry in consequence of a reduction in the sea freight from England.

A. Yes.

18772. *Q.* Will you please tell us what the sea freight is?

A. We cannot find out. They have kept it a secret. I tried my best to get the information from the home office and the home office referred to the home manufacturer who would not give out the information.

18773. *Q.* Can you form any idea as to sea freights for other articles?

A. I have never gone into that.

18774. *Q.* All of them cannot be kept as a secret.

A. We have articles coming out and the freight varies. In the case of other articles we can find out the freight charge from the bill of lading but in the case of cement in the freight column it is simply stated "freight arranged here."

18775. *Q.* You infer from this deliberate secrecy that the rates must be very very low?

A. I take it that they are.

18776. *Q.* What remedy would you advocate? You are now getting an indirected protection to the extent of 11 per cent. which is the duty on imported cement.

A. Yes.

18777. *Q.* As far as one hears, the cement industry has made very large profits.

A. Yes.

18778. *Q.* During the war period.

A. Yes.

18779. *Q.* What is it that makes you ask for a special protection on the present occasion?

A. Well, the cement industry can get along provided there is straightforward competition and there will be quite sufficient cement in India without the stock from home or from abroad.

18780. *Q.* I mean what is it that you really desire the Commission to consider?

A. To protect the cement industry in India.

18781. *Q.* You have got 11 per cent. protection. Do you think that it is not adequate?

A. I don't think so.

18782. *Q.* How do you prove that? You ought to submit some definite reasons why you require a further protection.

A. The importers pay only 11 per cent. duty and we have against that to pay ground rent as well as Royalty to Government.

18783. *Q.* The manufacturers at home do not get their raw materials free. They have also to pay Royalty.

A. India does not get any benefit out of that.

18784. *Q.* I understand that the Royalty for lime stone is very little.

A. If you add the Royalty and the ground rent, it mounts up.

18785. *Q.* I am afraid that I do not follow your reply to Question No. 8.

A. The Railway Company has raised the freight from Rs. 10 to Rs. 19-8 in a few years and I understand that they propose to raise it again. I don't think that it is going to help the industry if the rate is raised.

18786. *Q.* I want you to tell me what is meant by additional duties not increasing the price to the consumer. Supposing instead of 11 per cent. Government were to impose a 20 per cent. duty on cement, who will pay the extra 9 per cent. the consumer or the manufacturer?

A. I have not put that properly. What I meant to say was this. If the Railway Company were to give us reasonable rates, there would be no need for the people to buy the imported cement.

18787. *Q.* You don't want an additional duty if the railway company gave you reasonable rates from your point of view.

A. Well, put it that way.

18788. *Q.* I really want to know what is meant to convey by your answer. If additional duties are imposed the consumer will have to pay.

A. But if the consumer can buy Indian cement at a reasonable price, the railway company giving us reasonable rates, there is no need for him to buy the imported stuff at all.

18789. *Q.* Who is to decide whether the price is reasonable or not? At one time Rs. 10 would be reasonable at another time when you have not got it in the market, Rs. 100 would be reasonable. This depends upon the amount of competition that is in the trade.

A. Yes.

18790. *Q.* If the additional duty is imposed the market rate rises, otherwise there is no benefit to you.

A. The market rate of imported cement will rise.

18791. *Q.* And the market rate of the local cement will follow suit.

A. Not necessarily, with the number of cement factories in competition in India. That took place when the demand was much greater than the supply in India, but now it comes into straightforward competition among the cement manufacturers in India.

18792. *Q.* In the Bundi Portland Cement Company's statement it is stated that in 1913-14 the imports of Portland cement were 179,000 tons; that during 1921 the output of works completed in 1914-15 was 100,000 tons; that in 1922 the output will be 285,000 tons; and that in 1923 it will be between 600,000 and 700,000 tons. If the output of cement increased so much, the prices will fall.

A. Of course they will.

18793. *Q.* If the prices fall, competition will prevent foreign cement from coming into India.

A. Well, I don't know.

18794. *Q.* Do you not feel that with the fall of prices that will ensue as a result of over-production the foreigners will not be able to import into India foreign cement and compete after paying 11 per cent. duty?

A. That has got to be seen.

18795. *Q.* I want you to tell us what recommendation you want us to make.

A. At present cement is being dumped into India, as the foreign manufacturers get ridiculously low freights, and there is no knowing how long this will go on.

18796. *Q.* You require protection against dumping.

A. Yes.

18797. *Q.* Do you think that dumping takes place?

A. Well, it looks like that from the secrecy in the freight rates.

18798. *Q.* Can you define what dumping is?

A. Getting surplus out here.

18799. *Q.* At any price?

A. Yes.

18800. *Q.* Do you think that that is happening?

A. I would not say at any price.

18801. *Q.* Sir Vithaldas Thackersey told us that Belgium cement is sold at Rs. 65 a ton.

A. We could not manufacture and put it up in Bombay for Rs. 65 a ton.

18802. *Q.* Do you think that Rs. 65 is below the cost of foreign manufacturer?

A. I believe it is.

18803. *Q.* Can you give us any definite idea as to the cost of manufacture in the competing countries?

A. (Mr. Cherry.) In England I believe it costs £ 4 a ton.

18804. *Q.* You said that continental cement was selling at Rs. 65, and I ask you whether Rs. 65 is below the manufacturing cost of the cement.

A. (Mr. Cherry.) One cannot easily ascertain the manufacturing cost in the continent.

18805. *Q.* Can *you* give us an idea, Mr. East?

A. (Mr. East.) I do not think I can.

18806. *Q.* Unless you can give us this information, how can we know what protection you want? You have got a protection of 11 per cent. now.

A. (Mr. Cherry.) My suggestion is that we do not want the protection at the moment but we shall want it in the future. This Commission, I presume, is not budgeting for the moment only, but also for the future.

18807. *Q.* We cannot anticipate what may happen in the future and make recommendations on that matter. If you look at the questionnaire you will see that we are asking a question to ascertain your view as regards the establishment of any kind of permanent organisation for investigating the claims of various industries. Perhaps that organisation would deal with future claims. I want you now to tell me if you have any suggestions to make for any relief for which you can make out a case at present in the matter of the cement industry. If you cannot make out a case for any immediate relief then I believe that we can deal only with the general fiscal action to be taken in the future.

A. (Mr. East.) That is more or less what we suggest. I do not think we want any at present. We do not want that you should pass over the claims of this particular industry.

18808. *Mr. Narottam Morarjee.*—*Q.* Are railway freights very heavy as compared with shipping freights?

A. (Mr. Cherry.) Yes.

18809. *Q.* Are not the railways going to increase the freights?

A. Well, I do not know. There is some talk about it.

18810. *Q.* Will it not make our cement dearer than the foreign cement in the market?

A. (Mr. Cherry.) It depends on how they increase the freights. There is some talk of their taking off the surtax of Re. 0-2-6 in the rupee and adding it on to the freight. This will keep it just as it is now.

18811. *Q.* Sir Vithaldas Thackersay was telling us that the only ground of unfair competition at present is the disorganisation of exchange. Is that your view, or do you think that there are other grounds for complaint?

A. (Mr. Cherry.) Well, I think the cement industry being one of the important industries of India, should be supported by a duty on imported cement.

18812. *Q.* We want to know exactly what duty should be put on in order to support the industry. Therefore, it is necessary to see how you are being hit. Is there any unfair competition, and, if so, what are the elements of that unfair competition. Is it only disorganisation of exchange or is it something else?

A. (Mr. Cherry.) We cannot tell you. It may be dumping.

18813. *Q.* You want further protection. What further protection would you advocate? 5 per cent. or 10 per cent? It is for you, as an expert, to suggest what amount of protection would help you.

A. (Mr. East.) The only basis on which we can go on is the price of pre-war days. In pre-war days, imported cement was selling at Bombay at Rs. 36 to Rs. 40.

18814. *Q.* What was your price in those days?

A. (Mr. East.) We had no cement industry worth speaking of then.

18815. *Q.* You say the present price is Rs. 65. Quality for quality how much would you quote at present?

A. (Mr. East.) Rs. 65 per ton. Supposing the foreign cement came to pre-war price, then it would be quite impossible for Indian cement factories to compete. There is no good asking how much duty will protect us, because we do not know between now and the end of this year what our coal is going to cost us.

18816. *Q.* At the present moment, are they underselling you?

A. (Mr. East.) They are underselling us.

18817. *Q.* By what amount?

A. (Mr. East.) As far as we are concerned by Rs. 10 a ton.

18818. *Q.* That means that you are apprehensive that in the near future, if Germany pursues her policy of price-cutting you would be hit hard?

A. (Mr. East.) Yes.

18819. *Q.* In that case, the protection that you would claim would be for a long period of time?

A. (Mr. East.) The question is whether you are going to protect the industry against foreign competition or not.

18820. *Q.* What is the course of prices in India since the beginning of this year?

A. (Mr. East.) They have fallen since the beginning of the year very materially.

18821. *Q.* Have they fallen below the war prices?

A. (Mr. East.) It is very difficult to say. The price of Indian cement during the war was fictitious. It was a regulated price. You can not say that the price has fallen in relation to that. The regulated price was very much below the market price which the general public paid. I cannot say what the percentage is, but from the beginning of this year the price of Indian cement has fallen very much.

18822. *Q.* During the war what was the price of English imported cement here? How do you compare that price

with the price at which Government bought cement from you ?

A. (Mr. East.) The price of English cement during the war was as high as Rs. 250 a ton. (Mr. Cherry.) We sold our cement to Government at Rs. 52-8-0. (Mr. East.) As far as I can recollect, the last control price was Rs. 75 a ton.

18823. *Q.* At what time did this German competition recommence ?

A. It has only begun in the last 4 or 5 months.

18824. *Mr. Rhodes.*—*Q.* I want to take you back to the normal conditions before the war, leaving all these abnormal conditions of the last few years. The normal condition in India is that the export trade is very much bulkier than the import trade. Is not that correct ?

A. (Mr. East.) I think the export trade is much bulkier than the import trade.

18825. *Q.* That is to say, a lot of steamers have to come here with half-cargo or with no imports ?

A. (Mr. East.) I think a lot of steamers have to come here with half-cargo.

18826. *Q.* That very fact enables us to get cement at very low rate. Do you think it is an advantage that India should lose ?

A. (Mr. East.) It really depends upon what you think a greater advantage, that the cement consuming public should get it for a few rupees less or an industry that is established in the country should get a few rupees more and continue to exist. The industry means a lot of things to the country.

18827. *Q.* You have now a protection of 11 per cent.

A. (Mr. East.) Yes.

18828. *Q.* If you raise your price under the cover of this 11 per cent. surely it is not a question of a few rupees in the case of a big building put up in Bombay of reinforced concrete.

A. (Mr. East.) It is a matter of opinion. The present duty is 11 per cent. If you add that on to the pre-war price of Rs. 36, you get Rs. 40. Rs. 40 delivered in Bombay would be too low to enable Indian cement manufacturers to compete at all. In the circumstances it is a question whether you would allow the foreign manufacturers to compete and give the consumers the advantage of a few rupees, or whether you would put on a higher duty to enable the Indian factories to continue.

18829. *Q.* The economic conditions existed before the war when the cement manufacturers put up their factories. They were not relying on this Fiscal Commission then.

A. (Mr. East.) It was very much cheaper to make cement then than it is now.

18830. *Q.* You are of opinion that the steamers find it paying to carry cement to India owing to our large export trade ?

A. (Mr. East.) What the position is with regard to cement in British steamers I cannot say, but I know that before the war the Government of Germany used to subsidise the steamer lines to enable them to give cheap rates, and that enabled Germany to build up an enormous cement industry which if it is to maintain at all she cannot maintain unless the subsidies are maintained. It cannot make cement cheap.

18831. *Q.* It is a hot house industry ?

A. (Mr. East.) Yes.

18832. *Q.* There must be an economic ground for maintaining that cheap rate.

A. (Mr. East.) Germany thinks it pays her to establish an industry.

18833. *Q.* I suggest that the economic reason is from the shipping companies' point of view ?

A. (Mr. East.) Yes.

18834. *Q.* The recent rise in railway rates was, I suppose, necessitated by the actual cost of the railways ?

A. (Mr. East.) I presume it was.

18835. *Q.* If that were taken off or reduced they would be running at a loss.

A. (Mr. East.) I suppose they would.

18836. *Q.* That loss would fall on the tax-payer again ?

A. (Mr. East.) Of course I am not a railway man, and I cannot say how much profit the railway companies make.

18837. *Q.* Really are you not asking us to pay a great deal of money for your cement industry in one form or another ?

A. (Mr. East.) I do not think it is a great deal. It seems to me you have got a great deal of Indian capital already invested in this industry,—about 3½ crores—and it employs a large number of labourers. In our own factory we have somewhere about 3,000. You are trying to build up Indian industries and if you find that when they are built up the conditions are such that they cannot carry on, I think you must support it. I think the prospects of this industry are not very good.

18838. *Q.* But in the building up of other industries, cheap cement forms an item !

A. (Mr. East) It does.

18839. *Q.* There is an important point. In their answer to Question No. 6 the Katni Cement Factory say : "In the case of cement Government already derive their revenue from rents, royalties, etc." Would you tell us what the cement industry is worth to the Government ?

A. (Mr. Cherry.) We already pay in rent and royalty about Rs. 60,000.

18840. *Q.* Could you express it in a rate per ton ?

A. (Mr. Cherry.) About a rupee per ton.

18841. *Q.* A rupee per ton of cement is a direct gain to the Government. The indirect gain is the employment of labour and the payment of income-tax ?

A. (Mr. East.) Yes. (Mr. Cherry.) Then there is the sur-tax of 2 as. 6 p. in the rupee on the railway freight. That amounts to about 4 per cent.

18842. *Q.* That is part of the freight : that is part of what prevents your competing. Have you any advantage in the upcountry market over imported cement ?

A. (Mr. Cherry.) Yes, the freight.

18843. *Q.* Does it not enable you to compete ?

A. (Mr. Cherry.) Yes. There is a tremendous lot of cement coming to the ports, however.

18844. *Q.* Can you define the area of competition under present conditions ?

A. (Mr. Cherry.) I should say competition with the imported cement is practically confined to Bombay and Calcutta.

18845. *Q.* If you get outside Bombay and Calcutta you do not require protection. It is only for competing in the ports that you require protection ?

A. (Mr. Cherry.) So far the majority of imported cement coming in has been used in the ports. There has been none going upcountry, so far as we know.

18846. *Q.* Your competition is only in the ports. The moment you go outside the ports, for every one mile you have an advantage of two miles.

A. (Mr. East.) For every few miles from our factory the margin is reduced. I do not say there is no competition inside. The question was put to me in Delhi whether I would reduce the price of my cement, because the German cement was coming in more cheaply than mine.

18847. *Q.* That is due to the exchange !

A. (Mr. East.) Even in pre-war days, when exchange was normal, the competition was very severe.

18848. *Q.* Even upcountry ?

A. (Mr. East.) The price in the ports regulates the price upcountry.

18849. *Mr. R. A. Mant.*—*Q.* What degree of protection do you ask for ?

A. (Mr. East.) We wrote and suggested the advisability of increasing the duty on imported cement as a protection to the cement industry which has been developed in this country since 1914 and in which the rupee capital invested is estimated at nearly 3½ crores. We do not specify that we want any immediate increase. We only ask that it should not escape attention.

18850. *Q.* You are not asking for any definite protection at present ?

A. (Mr. East.) We are not asking for any definite protection. (Mr. Cherry.) What I have in mind is that we should get all our machinery free and the duty of 2½ per cent. now levied on machinery should be transferred to the imported cement.

18851. *Q.* In your answer to Question No. 7 you refer to the duties in Australia on British and foreign cements. Do you suggest the same rates for India ?

A. (Mr. Cherry.) No. I have only given it as an illustration.

18852. *Q.* What do you ask for yourself ?

A. (Mr. Cherry.) We do not say we want the same duty.

18853. *Q.* What duty do you want ? As much as you can get ! Is that the position ?

A. (Mr. Cherry.) If you could adjust it in this way : that machinery should come in free or an article that cannot be manufactured in India should come in free and the duty on this should be put on to the article that can be manufactured in India, *e.g.*, now on machinery there is a duty of 2½ per cent. ; we can get that free and add the duty on to the article that can be made in India.

18854. *Q.* You mean to raise the general duty of 11 per cent. by 2½ per cent.

A. (Mr. Cherry.) Yes. There is another question and that is although machinery is taxed at 2½ per cent., there

are some articles pertaining to that machinery on which we have to pay 11 per cent., although it is part of the machinery, *e.g.*, the grinding medium.

18855. *Q.* There are a large number of industries which depend on cheap cement, and it is of great importance to the country to get cheap cement, whereas if any protection is given to your cement, it must tend to put up the cost of production in other industries. I want to ask you on what grounds you would justify special protection for your industry?

A. (Mr. Cherry.) I have answered that in my answer to Question No. 9. We had a specific case. After the bad monsoon on 1920 there was more or less a severe famine in the Central Provinces. We were then employing about 4,000 people whom if we had not employed Government would have had to keep through the famine. (Mr. East.) I do not agree that it must necessarily put up the price if the output of the country is equal to the demand of the country. If the output of cement in the country is equal to the demand of the country, there is no reason why the price should be regulated by the imported article. When you are competing against an imported article which is subsidised if you will not extend aid towards the industry in the country, then you are prejudicing the local industry, but you are not going to benefit the consumer.

18856. *Q.* If a protective duty is imposed on the imported article, what will prevent the manufacturing companies in this country combining to put up their price? It is not unknown in the trade!

A. (Mr. East.) It is a very difficult thing to do. I have experience of combines, and I do not think there can be any combines in India.

18857. *Mr. Jamnadas Dwarkadas:* Before the war India did not manufacture any cement?

A. (Mr. East.) Quite so.

18858. *Q.* And that during the war this industry came into existence and now you find that if this industry is to go on successfully it must be protected against foreign competition. Is that your point?

A. (Mr. East.) Yes.

18859. *Q.* I think that you also feel that the low prices of foreign cement are due in the first place to the low exchange.

A. (Mr. East.) That is it.

18860. *Q.* Consequently they would do all in their power to kill your competition by dumping?

A. (Mr. East.) They must do.

18861. *Q.* Therefore you think that in the interests of India if the industry is to be maintained, you ought to have protection?

A. (Mr. East.) Yes.

Witness No. 123.

A Brief Memorandum of the views of M. L. Tannan, Esq., B. Com. (Birm.), Bar-at-Law, I.E.S., Principal, the Sydenham College of Commerce and Economics, Bombay.

18862. Although from the point of view of mere abstract principles I am inclined towards Free Trade, yet taking into consideration the present economic conditions of the country I favour a well-considered policy of Protection. In theory Free Trade will undoubtely lead to the maximum of production: provided there is perfect fluidity of capital and labour. It is an ideal which is not likely to be realised in the near future. Free Trade policy benefits a country whose industries are well established and which wants large quantities of food stuffs and raw materials in exchange for her manufactured goods. For a country with vast resources and a large population to depend mainly upon the mercies of the monsoon is to court poverty and disease. The chief remedy for the present condition of this country lies in her industrial development. Whereas protection will help to bring about the industrial regeneration of the country, it is not pretended that a policy of protection alone will transform an agricultural country into an industrial one. In order to hasten the building up of manufactures it is necessary that a protective policy should be accompanied by other measures such as technical education, banking facilities and transport concessions.

18863. Although indirect taxes are not as economical as direct ones, yet it can hardly be denied that the former are more convenient than the latter and therefore a compromise of both is restored to all over the world so as to make the tax system equitable and just.

18864. Just as it is desirable to see that the indigenous industries are developed in this country, I think it is equally necessary to safeguard the interests of the consumer as well as those of the State. I, therefore, propose that a graduated industrial tax should be levied on the net profits of industrial concerns when they exceed a certain rate of return on the paid up capital of those concerns. Such a tax will not hinder the investment of capital in industrial undertakings, as net earning to the extent of a fair percentage on the capital will be exempted from this tax, and only a comparatively small proportion of the excess profits will be payable to the State, as is clear from the schedule given below. In order to encourage industrial concerns to build reserve funds, it is suggested to treat such funds as paid up capital for the purpose of determining the Industrial Tax payable to the State.

Percentage of net profit* on paid up Capital and Reserve Fund.	Taxable profits at the rates given in succeeding column.	Tax per cent. on surplus.	Percentage of the net profits to go to Government by way of Industrial Tax.	Percentage of profits left for shareholders.
10 per cent or under .	...	Free.	...	Cent. per cent.
10 „ to 20 per cent.	10 per cent.	20 per cent.	2 per cent.	98
20 „ to 30 „ .	10 „	30 „	5 „	95
30 „ to 40 „ .	10 „	40 „	9 „	91
40 „ or over .	10 „ over.	50 „	14 „ or over.	84 or less.

* To be determined as for the purpose of Income Tax.

. Imperial Preference.

18865. From the political and economic point of view of the Empire as a whole, a scheme of Imperial Preference is no doubt desirable, but I am afraid India, as circumstanced she is to-day, has much to lose and very little to gain by its adoption, as almost all of her exports to the Colonies as well as to the United Kingdom are either raw materials or articles of food and most of her imports are manufactured goods chiefly from the United Kingdom. India under the present circumstances is unable to bear the economic loss which she will have to suffer by becoming a party to any general scheme of Imperial Preference. This view was supported by the Government of India in their despatch No. 324 (Finance), dated the 22nd October 1903, sent to the Secretary of State for India, as is clear from the following extract:—

Paragraph 17 (page 8).

18866. " 17. Our conclusions then, based on the imperfect information before us, and having regard to the hypothesis which we have framed as to the terms on which India might participate

in a policy of preferential tariffs within the Empire, is as follows:—

Firstly.—That without any such system, India already enjoys a large, probably an exceptionally large, measure of the advantages of the free exchange of imports and exports.

Secondly.—That if the matter is regarded exclusively from an economic stand-point, India has something, but not perhaps very much, to offer to the Empire; that she has very little to gain in return; and that she has a great deal to lose or to risk.

Thirdly.—That in a financial aspect, the danger to India of reprisals by foreign nations, even if eventually unsuccessful, is so serious and their results would be so disastrous, that we should not be justified in embarking on any new policy of the kind unless assured of benefits greater and more certain than any which have, so far, presented themselves to our mind."

However if it is found feasible to adopt such a scheme of Imperial Preference that India is not required to make any great economic sacrifice there should be objection to its adoption by this country.

Answers to questions.

General.

18867. 1. Yes. In view of the present economic condition of the country, I favor a policy of discriminating Protection.

18868. 2. Yes. Under the present circumstances of the country, a tariff will be a more suitable form of taxation than direct taxes, although, theoretically the latter form is preferable to the former one. However, if the tariff is to be raised for protecting home industries by keeping out foreign goods, as far as possible, any increase in the revenue from customs is hardly possible. I, therefore, suggest the combination of both, the increase in the latter should take the form of a special graduated industrial tax to be levied on industrial incomes exceeding a certain rate of return on capital as fully explained in my memorandum.

18869. 3. The existing tariff should be raised sufficiently high, not so much for the purpose of raising revenue, as for giving protection to indigenous industries. Even if the tariff continues to be imposed for revenue purposes, it is very desirable to class certain articles such as precious stones, etc., as luxuries and to raise duties in general and particularly those on articles of luxury. I suggest that a duty should be imposed on all imported yarns of counts below 100 and above 20.

18870. 4. The principles underlying our tariff should be changed with a view to give protection to Indian industries.

18871. 5. The existing tariff policy has been harmful in more than one way to the industries of the country. The Indian tariff policy has helped the growth of foreign trade at the expense of home trade. Whereas assistance in one form or another has been given to the foreign manufacturers to exploit the Indian markets whilst the industrious artisan has been left alone to combat as best as he can the growing difficulties of his position.

It can hardly be denied that the Fiscal policy of the Government of India in the past has been influenced by interests other than those of this country as is clear from the following extract from the Minute by the Hon'ble Sir E. F. G. Law, appended to Government of India despatch No. 324 (Finance), dated the 22nd October 1903.

Paragraph 6 (page 12).

"6. Complete free trade, as it is understood by doctrinaires, we have not got in India, since duties are admittedly levied on certain articles, and not levied, or levied at reduced rates, on others, in accordance with what have been assumed to be the interests of local requirements (and of British trade, as regards cotton goods) in connection with their importation."

It was the revenue tariff policy, which forced the hands of the Government of India to levy an excise duty on the products of the cotton mills in this country. Although it is true, that indigenous industries will be helped by a fairly high tariff based even upon revenue principles, yet it is extremely necessary to put our tariff on a protective basis if the goal of the industrial development of the country is to be reached.

18872. 6 and 7. No excise duties need be levied on the articles manufactured in India, when the object of the duties levied on articles imported from abroad is to protect the home (Indian) industries.

18873. 8. Generally such duties will raise the price to the consumer.

18874. 9. Yes. The advantages anticipated are as follows:—

(1) the industrial development of the country resulting in a diversity of occupations which will mitigate the evils of poverty and famine;
(2) large demand for labour resulting in a rise in wages and improvement in the standard of living which will in turn improve the energy and the staying power of the workers;
(3) relief of increasing pressure of the educated classes in the more favoured fields of employment;
(4) increase in the monetary receipts of the country due to the export of manufactured articles in place of raw materials.

18875. 10. As far as the main requirements of this country are concerned, India may become almost self-sufficient after a certain number of years. However, absolute isolation is neither possible nor desirable.

18876. 11. I favour the imposition of protective duties on some imported manufactures.

18877. 12. I propose to select such industries as have either favourable conditions, such as the supply of raw materials, home market, etc., for their healthy growth or are absolutely essential for the welfare and defence of the country.

18878. 13. Yes; the selection should be made on the general principles indicated above.

18879. 14. I propose to confine protection to those industries which can, after a reasonable period, stand on their own legs, but other industries such as the key industries and industries upon which the welfare and the defence of the country depend, should be protected although they are likely to require continuous protection.

18880. 15. Yes. The information regarding such measures may be obtained from the British Consuls, the Indian Trade Commissioners or the industries complaining against such unfair measures. The chief point about the information required is the difference between the export price and the wholesale price charged from those buying for home consumption. I suggest that a special (dumping) duty to the extent of the difference in the home price and the export price or to the extent of the difference which the unfair measures represent should be levied.

18881. 16. I am in favour of helping the hand industries and in particular the cotton handloom industry, but I do not think they can take the place of power industries. As a very large population of this country is dependent upon agriculture which does not provide work for all the year round, it is necessary that hand industries should be developed so as to enable the agriculturists to increase their income. The cotton handloom industry has a good future if it is well directed and controlled. It should confine itself to certain lines in which it does not have much fear of factory competition. Its chief needs are the supply of the raw materials at wholesale rates and the proper marketing of the output.

18882. 17. There is some danger of protection leading to combination among the protected manufacturers in order to maintain a *quasi*-monopoly price but that can be guarded against by legislation, on the lines of Sec. 12 of the Canadian Tariff Act of 1907 given below:—

"12. Whenever, from or as a result of a judgment of the Supreme Court or Exchequer Court of Canada, or of any superior court, or circuit, district or country court in Canada, it appears to the satisfaction of the Governor in Council that with regard to any article of commerce there exists any conspiracy, combination, agreement or arrangement of any kind

among manufacturers of such articles or dealers therein to unduly promote the advantage of the manufacturers or dealers at the expense of the consumers, the Governor in Council may admit the article free of duty, or so reduced duty thereon as to give the public the benefit of reasonable competition in the article, if it appears to the Governor in Council that such disadvantage to the consumer is facilitated by the duties of customs imposed on a like article.

(2) Whenever the Governor in Council deems it to be in the public interest to enquire into any conspiracy, combination, agreement or arrangement alleged to exist among manufacturers or dealers in any article of commerce to unduly promote the advantage of the manufacturers or dealers in such articles at the expense of the consumers, the Governor in Council may commission or empower any judge of the Supreme Court, or of the Exchequer Court of Canada, or of any superior court or county court in Canada, to hold an inquiry in a summary way into and report to the Governor in Council whether such conspiracy, combination, agreement or arrangement exists.

(3) The judge may compel the attendance of witnesses and examine them under oath and require the production of books and papers, and shall have such other necessary powers as are conferred upon him by the Governor in Council for the purpose of such inquiry.

(4) If the judge reports that such conspiracy, combination, agreement or arrangement exists in respect of such article, the Governor in Council may admit the article free of duty, or so reduce the duty thereon as to give to the public the benefit of reasonable competition in the article, if it appears to the Governor in Council that such disadvantage to the consumer is facilitated by the duties of Customs imposed on a like article."

However, it may be added that combinations and trusts are partly the outcome of modern industrial and economic conditions such as keen competition and economies of production. Such combinations and trusts may be found even in Free Trade countries such as has been the case in the United Kingdom (Coats Cotton Syndicate and Lever Brothers Soap Trust).

18883. 18. Yes, it is probable that if protection is adopted, foreign industrial firms will endeavour to establish themselves in this country in order to get the benefit of the tariff wall. While I am not in favour of keeping them out, it is desirable that they should be registered in this country and that half of the capital and half of the number of directors of each such concern should be Indians. When sufficient Indian capital is not forthcoming in spite of the genuine efforts on the part of the promoters, Government may allow foreign industrial concerns to establish themselves in India, provided the option of acquiring such concerns on certain terms for the benefit of the country is reserved for the State.

18884. 19. It is possible but there should be no difficulty in adjusting such conflicts of interest.

18885. 20. Generally the whole of the import duty is passed on to the consumer in a rise of price but it is possible that in certain cases it may not happen. For instance, if by the levying of the duty the demand for the article is very much reduced, the whole or part of the duty may be borne by the manufacturer of the article if its cost of production would go up by an appreciable reduction in its output.

18886. 21. No. Internal competition will in most cases reduce the price.

18887. 22. Yes.

18888. 23. In the case of a protective tariff the question whether the article is necessary or not, need not affect our fiscal policy to any large extent.

18889. 24. Not to a very large extent. The increased cost would, I believe, be wholly covered by a rise in wages or salary for (*a*) the industrial wage earner, in the first place and for (*b*) the agricultural wage earner, after some time. It will take a very long time in the case of (*c*) the middle classes.

18890. 25. It will curtail the foreign trade of India but will increase her home trade. The foreign trade of a country is often only a fraction of its total trade. (The foreign trade of U. S. A. was recently estimated by Mr. Woodrow Wilson to be only 4 per cent. of the total trade of that country.)

18891. 26, 27, & 28. It might but as Indian exports are mainly raw materials and food products, India has not much to gain by having a tariff which could be used for bargaining with other countries.

18892. 29. I proposeithat a Tariff Commission consisting of the representatives of commercial, industrial and agricultural interests aided by Government and other tariff experts should be appointed to investigate the claims of various industries from time to time and to help the periodical adjustment of tariff rates.

18893. 30. Export duties may be levied for raising revenue for conserving national resources or for retaliating against the foreign countries.

18894. 31. Generally the export trade suffers by the imposition of export duties but they may be levied to a moderate extent without any appreciable injury to the trade, in cases where the exporting country has a monopoly or a *quasi*-monopoly of the articles and the demand for them is more or less inelastic.

18895. 32. Yes. Only in such cases where the supply of the raw material is comparatively limited and is likely to be exhausted soon if its export is allowed.

18896. 33. Yes. Agricultural interests may suffer a little, but that disadvantage can be counterbalanced by earmarking a certain percentage of the revenue from these duties for the improvement of agriculture.

18897. 34. No.

18898. 35 & 36. Although I am in favour of the idea of Imperial Preference I do not think that India, circumstanced as she is, will be justified in risking any appreciable economic loss for the sake of Imperial Preference.

18899. 37, 38 & 39. I believe India will lose substantially by a system of Imperial Preference. There is also some fear of retaliation by foreign countries against India.

18900. 40. Yes. By raising the duties on goods coming from foreign countries the competition between foreign and British manufacturers in the Indian market will be lessened, with the result that British manufacturers will be in a position to charge higher prices and thus the price to the Indian consumer will be raised.

18901. 41. A system of Imperial Preference will no doubt increase the value of imports and may decrease the value of our exports resulting in the diminution of India's favourable balance of trade.

18902. 42. The diversion of trade resulting from Imperial Preference will, no doubt, have an adverse effect on India's trade position.

The Committee re-assembled at the Committee Room in the Secretariat Bombay at 11-15 A.M. when owing to the absence on account of ill-health of the President, Sir Maneckjee Dadhabhoy presided.

Mr. Tannan, Principal of the Sydenham College of Commerce, was called in and examined.

18903. *Sir Maneckjee Dadhabhoy.*—*Q.* How long have you been the Principal of the College?

A. Just 18 months.

18904. *Q.* I see from your statement that you are in favour of abstract free trade?

A. Yes, I favour free trade as an abstract proposition.

18905. *Q.* You think you are in favour of a well considered policy of protection?

A. Yes.

18906. *Q.* What do you mean by 'well considered'?

A. That is, I don't want to give wholesale protection without considering the question whether certain industries are likely to be developed in this country or not. I should like to give protection to those industries in the first instance which are likely to develop within a certain period.

18907. *Q.* Then you are a discriminating protectionist?

A. Yes.

18908. *Q.* You would give your support to such industries which by the State aid can be made to stand on their own legs?

A. Yes.

18909. *Q.* You would not give protection indiscriminately to all?

A. Of course not.

18910. *Q.* You say that the chief remedy for the present condition of this country lies in her industrial development. Do you think that the industrial development if taken up

will interfere with the progress of agriculture in this country?

A. No, I don't think it will.

18911. *Q.* Do you think that the agricultural industry will suffer by the diversion of labour?

A. No doubt it will suffer; but it will be very little.

18912. *Q.* It won't take away men wholesale from agriculture?

A. No. Of course certain amount of diversion is bound to take place, but that diversion will not in any way harm agriculture in this country.

18913. *Q.* What is your opinion at present about the pressure on land?

A. My idea is that on account of the fact that land is divided and subdivided agriculture is not carried on as economically as it ought to be at present.

18914. *Q.* Have you got any proposals for the development of agriculture as an industry?

A. My own idea is that there are certain things which may be done for the development of agriculture, such as starting of agricultural schools and colleges, agricultural model farms, and so on. But I have not given any special attention to the subject.

18915. *Q.* Model farms have been started?

A. Yes in certain parts of the country, but so far they have not done that amount of work which I should like them to do.

18916. *Q.* Would you make any suggestions as regards bettering the rural population, I mean in the matter of giving them instructions in agriculture?

A. I have no suggestions

18917. *Q.* Have you not considered that?

A. No.

18918. *Q.* You speak in your note about the graduated industrial taxation, on the net profits of industrial concerns when they exceed certain rate of return and then you give a table showing how this can be done. Do you think that it is a feasible scheme? Would it not be absolutely burdensome to the customs authorities?

A. I don't think there ought to be any difficulty. Just as profits are found out for the purposes of assessing income tax so profits can be found out for the purpose of the industrial tax.

18919. *Q.* We have at present a graduated income tax.

A. Yes, there is an income tax, but there is no industrial tax. Income tax has to be paid by every body whether he is engaged in India in any industry or commerce or if he holds any employment. But I want that inasmuch as these industries are going to profit by the tariff I want them to contribute something towards the public exchequer in return for the concessions.

18920. *Q.* There are one hundred and one industries. Don't you think it would be very difficult to bring all these industries under that system of taxation?

A. I don't think there will be much difficulty.

18921. *Q.* You think it is feasible?

A. I think so.

18922. *Q.* Will that bring revenue to Government?

A. Yes, certain amount of revenue.

18923. *Q.* Will not that proposal come in conflict with the present income tax?

A. There is no reason why it should.

18924. *Q.* Will not overlapping take place? Some industry may have to pay both income tax and industrial tax. How then will you make the two work?

A. I think that income tax is to be levied of course without giving any exemption. But here in the case of the industrial tax it should be levied only on the excess profits. Say if the profits exceed 10 per cent. then the State should tax the excess.

18925. *Q.* With regard to the question of Imperial Preference you agree with the Government of India Despatch of 1903? In fact you have practically adopted wholesale their views?

A. Yes, I have quoted that despatch in support of the views I have expressed here.

18926. *Q.* In your opinion India is not required to make any economic sacrifice?

A. The economic sacrifice which it will be required under the Parliamentary authority, India is not in favour at present.

18927. *Q.* You think preference can only be in the interests of India under reciprocal basis?

A. Yes.

18928. *Q.* Not otherwise?

A. No.

18929. *Q.* You say "I suggest that a special (dumping) duty to the extent of the difference in the home price and the export price or to the extent of the difference which the unfair measures represent should be levied." I would like you to develop that.

A. Take the case of cotton cloth of a particular type. If it is sold in England at the rate of 2*s.* a lb., for the purpose of export it would be sold at 1*s.* 6*d.* or 1*s.* 9*d.* Then to that extent I should levy dumping duty, that is the difference between the export price and the home price. Of course I mean wholesale price.

18930. *Q.* How will you manage that? Would you have a standing legislation or would you have executive instructions? Do you understand the point? Government might adopt a fiscal policy and fix some duty on the imported articles. At a particular period dumping may begin. How would you then regulate the duty?

A. My idea is that an industry which has a complaint against dumping should approach Government and the Government should go into the question and then put the duty.

18931. *Q.* The mischief you wish to safeguard against might have been done by that time?

A. It is quite possible to avoid it.

18932. *Q.* How?

A. It can be avoided in this way. Suppose we have a permanent Tariff Commission, a sort of advisory commission. This Commission may be given power to assess this dumping duty.

18933. *Q.* You want a standing Commission?

A. Yes.

18934. *Q.* You want that it should always exist?

A. Yes, a sort of advisory Commission to the Legislative Council, but in certain respects powers may be given to that Commission to act without referring to the legislature.

18935. *Q.* Will it be an all-India Commission?

A. Yes.

18936. *Q.* How do you expect them to work? You have got big customs centres like Bombay, Calcutta, Karachi, Madras and a number of other places. Do you want this to be a perigrinating commission? How will it manage its work?

A. Of course it will have representatives of industries, commerce, etc.

18937. *Q.* You don't expect them to be going from one place to another? Supposing a certain industry sends a complaint to the Government that a particular country has adopted dumping with regard to a particular case. Then the complaint will be forwarded to this tariff Commission. There may be monthly or quarterly meetings and by the time the steps that are necessary are decided on and action taken some harm will be done. Would it not be simple to depute the customs officers with this power?

A. I think it is better that there is a commission, because I don't think I can leave it to customs officers.

18938. *Q.* What are your objections?

A. Well, my first objection to leaving this to the customs officers is that there is a chance of, I won't say exactly corruption, but of their being misled.

18939. *Q.* But is any country free from corruption?

A. I should like to avoid it as far as possible. I do not say that countries are free from that.

18940. *Mr. Rhodes.*—*Q.* May I know whether the Indian Customs officers are free from it?

A. I should think they are free from that. I have had no complaint.

Sir Maneckjee Dadabhoy.—I quite endorse that.

18941. *Q.* You say that in the case of a protective tariff the question whether the article is necessary or not, need not affect our fiscal policy to any large extent. Why do you say so?

A. The position is this. So far as the major portion of the population is concerned there are very few imports which may be called necessaries.

18942. *Q.* My point is why should it not be taken into consideration in regulating our fiscal policy whether a particular article is a necessary of life or not?

A. Because if we do not tax articles because they are necessaries of life, how are we going to develop our industries?

18943. *Q.* Then at the sacrifice of necessaries of life you would regulate your fiscal policy so far as protection is concerned?

A. Quite so.

18944. *Q.* In other words, you would go to the extent of starving your consumers if you consider that your industries should be protected?

A. Yes, because the whole country will be benefited by it. If I am convinced that the industries will be benefited by it, I do not mind the consumers being hit.

18945. *Q.* What are the necessaries of life? Will you take cloth as a necessary of life?

A. Yes, it is a necessary of life to certain people, imported cloth.

18946. *Q.* Why "to certain people"?

A. Because my idea is that a very large proportion of the population do not use imported cloth, nor even mill-made cloth.

18947. *Q.* What else will you take as necessary of life? Foodstuffs?

A. Yes, certain foodstuffs. I do not think sugar is such a necessary.

18948. *Q.* Grains, pulses, etc.?

A. Yes.

18949. *Q.* Will you regard kerosene oil a necessary of life?

A. Yes, to a certain extent, because it is not absolutely necessary for the major portion of the population.

18950. *Q.* Taking your analogy you would put heavy import duty on cloth even if it would be oppressive to the masses?

A. My idea is that taking into consideration the present position of industry I do not think a very heavy duty is needed.

18951. *Q.* What is the duty that you think is a fair duty in the matter of cotton cloth?

A. I should like to distinguish cotton cloth of various kinds. If they are of finer fabric I should certainly levy a high duty of 20, 25 or even 30 per cent. In the case of cloth of low counts I do not think we need go higher than 11 per cent. as it is now.

18952. *Q.* You would keep the present duty?

A. Yes.

18953. *Q.* Do you think it has the effect of protecting the industry?

A. To a certain extent it does, though I believe that the Indian mill industry is fairly strong to stand on its own legs without much assistance.

18954. *Q.* You know there is a countervailing excise duty of 3½ per cent. So that margin between 11 per cent. and the 3½ per cent. affords protection?

A. Yes, for this industry.

18955. *Q.* Textile of any particular kind?

A. Coarser cloth.

18956. *Q.* You are not in favour of exceeding this limit?

A. No. I do not think there is any need.

18957. *Mr. Jamnadas Dwarkadas.*—*Q.* I want to clear up this point in your answer to question 33. When you say that in the case of protective tariff the question whether the article is necessary or not need not affect our fiscal policy, I think this view is based on the assumption that the masses of the people do not use imported cloth. Only a small fraction of the people really use imported cloth.

A. Yes.

18958. *Q.* So that if you have an import duty it will not heavily tax the masses?

A. No, no.

18959. *Q.* Now I should like you to elaborate a little your theory of graduated industrial taxation. You have explained in detail.....

A. My idea is that we want to develop our industries and in order to do so we must raise our tariff wall. If we raise our tariff wall no doubt it will hit the consumers to a certain extent. We want our Government to take steps by which these industries should be developed. In return for these concessions the industries may be asked to pay these tax provided the profits exceed a certain percentage which ought to be considered a reasonable return on the capital invested. Thus in the case of excess profits I should like the Government to share the profits to the extent of 2 per cent. if the total excess profits are 20 per cent. so that the ultimate effect will be that the industries will not be hit and the Government also will have its revenue. In that way I say these industries will pay something in return for the concessions.

18960. *Q.* I shall put it to you this way. You are giving protection to industries in order to give an impetus to those industries, aren't you?

A. Yes.

18961. *Q.* If you put heavy duties like that on these very industries which you want to develop in the country, don't you think you will be defeating your own object?

A. No, I am sorry to differ from you, because in the first instance, I do not think the tax will be very heavy, because as you will see from column 4 of the table (page 2 of the statement) that supposing an industry makes a profit of 20 per cent. Government gets 2 per cent. and the remaining 18 per cent. is left for the shareholders. I think the industries should not grumble to pay such a small share of their profits.

18962. *Q.* Then, coming to your answer to question 3 you suggest that a duty should be imposed on all imported yarns of counts below 100 and above 20. Of course you know that at present yarn is exempted from duty.

A. Yes.

18963. *Q.* Don't you think that it is a right policy?

A. No, I will exempt up to 20, because the Indian spinning industry does require protection.

18964. *Q.* We have been told by many witnesses that if you put an import duty on yarn the handloom weaver will suffer. Is there any truth in that statement?

A. As far as my experience goes, I was connected in a way with the handloom industry in the Punjab, my opinion is that the handloom industry to a large extent uses yarn of lower counts, counts lower than 20. There are some looms which use higher counts, but it may be possible to compensate them in some way or another. I have not considered that question in detail, but I think it will be possible to compensate the looms which use yarn of over 20 counts. We want to develop the spinning of yarn of finer counts in India.

18965. *Q.* Do you expect that in course of time you may be able to supply all the yarn?

A. Yes, most of it.

18966. *Q.* And also for exporting purposes?

A. Yes.

18967. *Q.* That means it adds to the wealth of the country?

A. Yes.

18968. *Q.* You speak of the dangers of combination and you quote from the Canadian Tariff Act by way of argument that the legislature can control any effort at an unfair combination. But do you think that for a long time to come there is any possibility of danger of such a combination here in India? Don't you think that is a very remote danger?

A. There is a chance, I may not regard it very remote.

18969. *Q.* You have it in the immediate future?

A. My idea is there is a chance; I should think the chance is not very remote. At the same time the probability is that in the near future there is not likely to be any attempt of this kind.

18970. *Q.* Don't you think India is industrially backward that there is not likely to be that danger just at the present moment?

A. It is true that India is industrially backward. But I do not think that is any reason why there should be no danger of combination.

18971. *Q.* There is another point. India is not a small country. There will be interprovincial competitions and so it is not likely, don't you think so, that this danger can really prove so very great?

A. I don't think it will prove so great particularly if we have some legislation of this type.

18972. *Q.* You would not advocate any legislation until such a contingency arises?

A. It is possible to wait for some time until there is some evidence of that effect.

18973. *Q.* In answer 29 you want a Tariff Commission. You will admit, won't you, that whatever permanent board is appointed for this purpose, it will have an advisory capacity?

A. Yes, to the Legislative Assembly.

18974. *Q.* I think you said to Sir Maneckjee Dadabhoy that you would give some power to this Board.

A. Yes, certain powers with regard to the levying of dumping duty and so on. Otherwise this Board will be advisory.

18975. *Q.* But all that the Board does should be subject to the sanction of the Legislative Assembly?

A. Quite true. But it is quite possible that there may be a need for dumping duty to prevent dumping. In those cases the Board may for the time being act in anticipation of the sanction of the Legislature.

18976. *Q.* Subject to the final approval of the Legislature?

A. Yes.

18977. *Q.* Have you any idea of the constitution of this Board?

A. I think it will be better to have representatives of commerce and industry as well as agricultural interests together with some statisticians who may be experts in tariff affairs.

18978. *Q.* Would you not have a standing committee like the Standing Finance Committee of the Assembly?

A. Yes, there may be some members of the Legislative Assembly on it.

18979. *Q.* If the Government is going to adopt a policy of protection, would you not consider the crux of such a Board an absolute necessity?

A. Oh ! yes, I would.

18980. *Mr. Mant.*—*Q.* I want to ask a few questions about this industrial taxation that you propose. In the first place, you say that you propose it to safeguard the interests of the consumer.

A. Consumers in this respect that the consumers will benefit if the public revenue is benefited by this tax.

18981. *Q.* When you speak of consumers you mean the public purse ?

A. Public purse of course means the people of the country in general, the tax-payers.

18982. *Q.* When you say "safeguard the consumers" you really mean the tax-payers ?

A. Yes, tax-payers. On account of this tax it may be possible to have a sort of preventive effect upon industries which charge fabulous prices because they will have to pay a good portion of the excess profits over 40 per cent. In other words there won't be the same temptation to put up prices as in the other case.

18983. *Q.* But you just said that your tax will not discourage industries because it will be very light.

A. To the extent of 40 per cent. Over and above that the profits are shared with the Government, and so there won't be the same temptation to put up prices as in the other case.

18984. *Sir Maneckjee Dadabhoy.*—(President.) I do not think you follow Mr. Mant. In answer to my query you stated that the effect will not be very considerable. Now you say it will have a preventive effect. The two are inconsistent.

A. If a certain industry is already making 40 per cent. and over a portion of the excess profits will go to the State. So there won't be the same temptation to put up prices as when all the profit went to that industry. Largely on account of that fact the public purse will be benefited, the tax-payers to a large extent, and to a small extent the consumers.

18985. *Mr. Mant.*—*Q.* That is really what you mean. Will you tell me what you mean by an industrial concern ? You are levying a tax on the profits of industrial concerns. That is rather a vague expression.

A. I thought the Tariff Commission which it is proposed to appoint will consider that question and define an industrial concern in such a way as to meet all requirements.

18986. *Q.* You are unable to furnish a definition ?

A. I have not considered that point.

18987. *Q.* Can you give us any idea on which we can frame the definition ? To begin with do you mean companies or firms ?

A. I include both, concerns as well as companies.

18988. *Q.* Would you include an individual who has a little flour mill in a stream ?

A. Probably not. I should lay down certain minimum capital and minimum profits. I have not considered it, however.

18989. *Q.* I only want to get a rough idea.

A. I should not include the small man who has got a small flour mill. I should lay down certain minimum profits and certain minimum capital.

18990. *Q.* I understand you to say that this industrial tax will be in addition to the income tax ?

A. Yes.

18991. *Q.* Coming to the table that you have given regarding the taxable profits.....

A. The surplus over 40 per cent. will be divided between the industrial concern and the State.

18992. *Q.* Suppose the profit is 100 per cent. What amount will the State get ?

A. The State will get 44 per cent. of the profits.

18993. *Q.* You said in answer to Sir Maneckjee Dadabhoy that it will be so small that it would not discourage the industry.

A. The industry will not be discouraged as long as the capitalists are assured of a reasonable return.

18994. *Q.* You think that it will be no discouragement to a company promoter to be told that if he makes 100 per cent. the State will take 44 per cent. ?

A. As a matter of fact if you look at this table you will find that it will work out at 39 per cent. exactly.

18995. *Q.* I made it 44, but we need not trouble about that. You say that a duty of this kind won't discourage the industry ?

A. I don't think that it will in any way discourage the industry.

18996. *Q.* I should doubt it myself. As regards the question of a duty on yarn, you said that you had some experience of hand weaving in the Punjab. What were you doing in the Punjab ?

A. My people are engaged in cloth business. There is a hand loom factory in Gujrat.

18997. *Q.* I understand that your object in proposing a duty on yarn is to encourage the spinning mills in India ?

A. Yes. Particularly of the finer counts.

18998. *Q.* I understand that most of these mills are interested in weaving also ?

A. Yes. They are interested in weaving also.

18999. *Q.* The spinning and weaving industries are closely allied. I understand that there is competition between the hand loom industry and the mill industry.

A. I do not think so.

19000. *Q.* Who are the main competitors of the hand loom weavers ?

A. As a matter of fact in certain goods there is competition. In other goods there is not much competition. At present the hand loom weavers are weaving cloth of special designs or varieties which are wanted for local consumption.

19001. *Q.* Is it not that because they cannot compete with the mills in other designs ?

A. The mills are able to produce at a lower cost of production those cloths which are to be produced in very large quantities. There are certain kinds of cloth which are wanted and which the mills cannot manufacture.

19002. *Q.* Do not the mills keep out the hand loom weavers from that field ?

A. I do not deny the fact that the mill industry has had an adverse effect upon the hand loom industry.

19003. *Q.* I am merely pointing out to you that your main competitor is the hand loom. Who else competes with the mills ?

A. In certain kinds of textiles they do compete, but in other kinds there is not much competition.

19004. *Q.* But whatever competition there is, it is between the hand loom and machine.

A. Yes.

19005. *Q.* I understand that there is no very great competition between the imported cloth and the hand looms. The competition is between the mills and the hand looms.

A. Yes.

19006. *Q.* Then would it not be unsafe to put a protective duty on yarn ? It will put all the weaving mills who are the main competitors of the hand looms in a position to crush the hand loom industry by putting up the price of yarn.

A. But on account of internal competition spinning mills will come into existence.

19007. *Q.* The view has been put before us that it is rather unsound, to give a trade competitor the power to crush out its trade rival.

A. Personally I do not think so.

19008. *Q.* In answer to question 18 referring to foreign firms, you say that you are not in favour of keeping them out. But you suggest, I understand, that they should not be allowed to come in until efforts had been made to float a company by Indian promoters and the promoters have failed.

A. Not exactly by Indian promoters. They may be foreigners. But first you should invite applications from Indian people.

19009. *Q.* You would not have a foreign firm take up business in this country unless you have tried to float a company in the country itself and have failed. You say that when sufficient Indian capital is not forthcoming in spite of the genuine efforts on the part of the promoters, Government may allow foreign industrial concerns to establish themselves in India.

A. I mean the promoters from other countries. If the promoters of a company want to establish an industry they should give an opportunity to the Indian people to go in for the shares of that industry.

19010. *Q.* You mean the foreign promoter. He has got first to attempt to float a company in this country and only if he fail will you allow him to go to the London market. Do you think that is a feasible working proposition ?

A. I do think that there is a certain amount of difficulty. But I think that if industries in this country are to be developed in the interests of this country, then I think some such condition is necessary.

19011. *Q.* Do you think that you would get a good response from the London market if you went there and said "I tried to float this company in India but no one will look at it. Will you put your money into it ?"

A. My answer to this question is this. Supposing that he wants 50 lakhs, let him get 25 lakhs at home and give the remaining 25 lakhs here.

19012. *Q.* That is rather a different proposition. Don't you see any difficulty in it ?

A. There is a certain amount of difficulty.

19013. *Q.* In your answer to question 41 you say "A system of Imperial Preference will no doubt increase the value of imports and may decrease the value of our exports resulting in the diminution of India's favourable balance of trade." Will you please explain why it is bound to increase the value of imports?

A. Suppose we have a general tariff of 25 per cent. The import will be decreased to a certain limit. But if we give preference to let us say the United Kingdom to the extent of 10 per cent., our imports will increase in that case as compared with the tariff as a whole which allows no preference.

19014. *Q.* We have a general tariff of 11 per cent. Do you say that if you raise it to 25 per cent. on foreign goods and to 15 per cent. on Empire goods, it will increase the value of our imports?

A The imports as compared with the present tariff of course will not increase. What I meant to say is that imports will increase as compared with the tariff when there is Imperial Preference. The imports will be more than it would be if there is no preference.

19015. *Q.* Surely that depends entirely on how high you put your tariff?

A. If we put a tariff of 25 per cent., our imports are bound to go down to a certain level. But supposing we give preference to England to the extent of 10 per cent. our imports will increase. There are two questions here: raising the tariff without preference and raising it with preference.

19016. *Q.* You are assuming that preference will be given by reducing the duty. But I say that preference might be given by increasing the duty, as compared with the present duty.

A. It does not mean that if we want to raise our tariff to the extent of 25 per cent. preference will be out of that 25 per cent.

19017. *Q.* As pointed out in the questionnaire there are several ways in which we could give preference. One way is by retaining the general duty as at present and lowering it for British goods. That of course could increase imports. Another is by maintaining the present rate for Empire goods and raising it on other foreign goods.

A. Not in that case. In that case there will be no increase.

19018. *Q.* You were assuming that we were going to reduce our tariff to the Empire.

A. I do not think my idea is that we are going to reduce the general tariff What I meant is this. If we raise our tariff to-day to 25 per cent. the imports will go down. If after 6 months we give preference to Great Britain then our imports will increase.

19019. *Q.* I understand that you admit that if we give preference by maintaining our present rates on the Empire goods and raising the rates on foreign goods that will not increase our imports.

A. Yes.

19020. *Q.* So your answer requires modification to that extent. Now would you explain to us how it would decrease the value of our exports?

A. It will decrease because certain foreign countries are bound to retaliate.

19021. *Q.* Will they?

A. I believe there is every chance for that retaliation.

19022. *Q.* That is the reason for your statement that the value of our exports will be reduced?

A. Yes.

Mr. Birla.

19023. *Q.* Do you really think that there is great competition at present between the hand looms and the mill industry?

A. In certain lines there is competition.

19024. *Q.* So far as my knowledge goes I think at present hand looms either produce coarse khadi or very fine things such as Kasi silk or Madura cloths, etc. These have never been produced by the mills. Therefore I do not think at all there is any keen competition between the hand looms and the mills.

A. I thought, as I explained myself to Mr. Mant, that there was competition in certain lines, and that in other lines there was no competition. Take the case even of *khadi* and *chaddars*. There is competition.

19025. *Q.* I do not think any large quantity of bed sheets and chaddars are produced by the hand looms.

A. They are not produced nowadays because of the mill competition.

19026. *Q.* When were they produced?

A. About 20 years ago.

19027. *Q.* The finer counts or the coarse counts?

A. Counts of 20s and 30s.

19028. *Q.* At present there is no competition?

A. Not much.

19029. *Q.* Are you aware of the fact that recently there has been a tendency among the purchasers to purchase only such products of the hand looms which contain purely *swadesi* yarn? In those circumstances, do you think that it will affect very much the hand loom industry if a moderate duty is imposed on the import of foreign yarn?

A. No.

19030. *Q.* Because as a matter of fact people do not like to purchase such products as contain foreign yarn.

A. Yes. It is so.

19031. *Q.* Coming to the question of industrial tax, do you include commercial houses also?

A. No. Purely industrial concerns.

19032. *Q.* How would you calculate the percentage of net profits? On the basis of the original paid up capital?

A. Paid up capital and reserve fund and undivided profits.

19033. *Q.* Reserve fund and other funds?

A. No. There may be a fund on account of depreciation of machinery. I would not include that. I will take only undivided profits.

19034. *Q.* A company floated with a capital of 3 lakhs might have at present a reserve fund of 2 lakhs, and it would be a very serious thing for that company if you calculate the percentage of profits on the basis of the original paid up capital.

A. No. I would not calculate on that alone

19035. *Q.* On page 1 of your evidence you say that although indirect taxes are not as economical as direct ones yet it can hardly be denied that the former are more convenient than the latter. Do you think that direct taxes are more economical?

A. Yes. The collection costs less in the case of direct taxes.

19036. *Q.* My information is quite the other way. There are only 4 or 5 ports, and we import through those ports, and therefore so far as the collection is concerned, the cost is less.

A. My idea is that the cost in the case of direct taxes is less than in the case of indirect taxes.

19037. *Q.* In the case of indirect taxes the Indian States also contribute something. In the case of direct taxes they don't. So that is also one of the advantages of keeping indirect taxes.

A. I understand that in the case of certain Indian States a portion of the customs duties on goods which are imported by them is handed over to them.

19038. *Q.* As a matter of fact in the case of most of the States that is not the case?

A. I think some of the States get a part of the import duty.

19039. *Q.* They are very few, I think. In your answer to question 23 you refer to the necessaries of life. Don't you think that you should be self-contained regarding the necessaries of life that should be manufactured in this country? You would not like to depend for such negessaries on other countries?

A. I would like to be self-dependent as far as possible.

Mr. Rhodes.

19040. *Q.* In answer to the President you mentioned the sub-division of land as a serious evil in India. Will the small holdings be helped by a system of protection?

A. A system of protection is not likely to be of any direct help to people with small holdings, except in this way that the agriculturists on account of the raising of the tariff may be able to produce certain things. Otherwise it is not likely to be of much help to them.

19041. *Q.* Even if you advocate protection you would not look for an immediate or an early rise in individual wealth.

A. When the country as a whole benefits I think there will be a rise in individual wealth of the country too.

19042. *Q.* I take it that when you talk about the sub-division of land what you actually mean is that two men are doing one man's work and two men have to be fed, and therefore the chances of keeping these two men alive are very heavy and there is a loss of national wealth.

A. What I actually mean is that if two men had a larger amount of land, they would probably cultivate it, and the cost of cultivation would be smaller than in the case of a smaller holding.

19043. *Q.* Is your theory that two men would be able to cultivate what it requires four men now to cultivate in little bits?

A. Not exactly that. It is quite possible that three men could do the work which four men do to-day.

19044. *Q.* The other man is a cost to the country and a waste?

A. Yes.

19045. *Q.* You attribute that to the poverty of India?

A. Surely.

19046. *Q.* You are not raising our hopes too high under your protective policy?

A. No. If that other man is able to get some work in industries which will be developed, he will probably take up other work. In that way the country as a whole will be benefited.

19047. *Q.* But as the conditions of the country exist at present as soon as the third man goes to an industrial town you get a fourth man to replace him.

A. I do not think so.

19048. *Q.* You do not believe that people are trying to live in the country districts on the absolute limit of population that the country will support?

A. The standard of living in the country is very low, and they are trying to eke out more or less a living wage from the land.

19049. *Q.* You think it is too low?

A. It is low.

19050. *Q.* So in a famine year a man has nothing to give up?

A. No. He has nothing to give up.

19051. *Q.* A protective policy will be of no value whatever without the advancement of technical education, techincal skill on the part of people?

A. It will be of some value. But of course these things should go hand in hand.

19052. *Q.* Our progress under protection will be limited by our ability to train our men?

A. Yes.

19053. *Q.* As regards agriculture, you have agricultural colleges. We had the Secretary of the Agricultural Graduates Union before us the other day, and he told us that these graduates, with very few exceptions, do not go into agriculture.

A. That is merely due to the fact that at the present time the people who graduate from the agricultural colleges do not belong to the agricultural classes. If it is possible to increase the size of the holding and go in for farming on a large scale it will be possible to engage the services of these agricultural graduates, and I think that will be to the interests of agriculture.

19054. *Q.* You are up against enormous difficulties. Mr. Bell, Director of Industries, Bombay, told us the other day that as regards technical education, it was only the intelligent members of a family that went in for education and they were not the sort of people to engage in technical work.

A. I think it was the tendency some years ago but that is changed. There was a time when the so-called educated young men were against the idea of receiving any technical or commercial education or taking up a commercial career. But I think now that idea does not exist.

19055. *Q.* But you think that there is room for the education of the public in these matters?

A. Yes.

19056. *Q.* We have of course the same difficulty in England ;that people do not care to take a spanner in their hands. I suppose the same thing exists here, and it will take time.

A. Yes. It existed some years ago. But I think now young Indians are coming forward to do practical work of that kind.

19057. *Q.* As a result of this conversation would you hold that our protective policy must be gradually developed in accordance with the speed with which we can train our people?

A. No. I think the gradual rise of the tariff wall is not likely to be of much help to us.

19058. *Q.* Would you protect first and educate our people afterwards?

A. I would protect them and educate them more or less at the same time.

19059. *Q.* Have you read the book called "Dr. Jekell and Mr. Hyde."

A. No.

19060. *Q.* It seems to me that I was reading the remarks of Dr. Jekell where you say that in abstract principles you are inclined towards free trade. Then Mr. Hyde comes in and says that he favours a policy of protection. Then in the next page of your evidence Dr. Jekell comes and says that he wants an industrial tax to sweep away any advantage of protection.

A. Because I think in the present circumstances of the country we require a protectionist policy. As against that I advocate an industrial tax.

19061. *Q.* Would you protect up to the exact requirements or within a close percentage of the requirements of an industry for protecting the interests of the consumer, or, would you give a very heavy margin of protection?

A. I would give such a margin of protection as will enable an industry to stand on its own legs.

19062. *Q.* Not more?

A. No Not more.

19063. *Q.* This suggestion of a tax on profits seems to show that they are over-protected. The whole of your industrial tax idea is on the theory that they are over-protected.

A. Not necessarily over-protected. There must be certain industries like cotton, which are protected to a small extent.

19064. *Q.* If you have not over-protection, then why do you want an industrial tax?

A. I should like industries to contribute something for the concession which they get by this policy.

19065. *Q.* But if as a result of your protection, an industry is making over 40 per cent. profit, would it not be over-protected?

A. You see the point is that all the industries or individual concerns engaged in certain industries may not be able to make 40 per cent.

19066. *Q.* I am now coming to that point. Let us suppose there are two factories started under the new protective walls. One is efficient and the other is not. One factory makes 20 per cent. profit and the other makes nothing.

A. Yes.

19067. *Q.* You tax the efficient one and don't tax the inefficient.

A. The idea is that both of them get certain concessions on account of the tariff wall and therefore both of them contribute but no doubt to the extent of 10 per cent. I exempt the profits.

19068 *Q.* One of them is efficiently managed and the other is inefficiently managed. One makes 20 per cent. and the other makes, let us say, 5 per cent. Your industrial tax will hit the efficient man up to 5 or 6 per cent.

A. I don't think that the success of an industry is always due to the efficiency.

19069. *Q.* What else is it due to? Two factories start making the same thing. One makes 20 per cent. profit and another nothing. Such instances are very common in industries.

A. Yes, there may be cases in which the difference is due to the efficiency and there may be cases in which one industry is producing something different from the other industry.

19070. *Q.* If the manufactured article is the same, you are going to tax the one that is more efficient. Are you not?

A. Very little.

19071. *Q.* But why tax it at all, why not reward it for virtue?

A. Of course it will get its reward because by making 30 or 40 per cent. it is making much more than the other factory which is making only 8 or 10 per cent. I don't say that the industry which is making 30 per cent. should give all the profits in excess of 10 per cent. to the State.

19072. *Q.* You are taxing more the efficient man.

A. In the way you do in the case of income-tax. Take the case of an efficient and successful Surgeon or Physician who makes a lot of money. Because he is more hard working and more efficient, you make him pay more than another man who earns only, say, Rs 200.

19073. *Mr. Sheshagiri Iyer.*—*Q.* With the same education.

A. Yes, sometimes with the same education.

19074. *Mr. Rhodes.*—*Q.* Let us just take this a step further. Supposing by spending a little more money or extra capital on machinery the factory can improve their position.

A. Yes.

19075. *Q.* It seems to me that on this schedule you have made out there would hardly be any encouragement for the efficient man and he would not run the risk of making big profits because if the protective duties were taken off, all the encouragement is gone.

A. Of course if after a certain time we come to this conclusion that a particular industry is so well established that it can stand on its legs, we may remove the tariff walls.

19076. *Q.* I am an industrialist and am not going to make such deliberate big profits to enable Government to tax me more and going to ruin myself at the end.

A. I do not know of any reason why you should not. When only a small portion of your excess profits goes to the Government would you not make any attempt to try and get as much as you can during the period at least.

19077. *Q.* When a great share of the profits is going to the Government! If I find that there is any machinery which would enable me to make big profits but could be used with profit only for 10 or 15 years, I would not bring that machinery out.

A. My idea is that if you can find such machinery, you can get it by increasing your capital and paying as little as possible to the Government. Supposing by putting a new plant or new machinery, you are likely to double the output or lower the cost of production, then certainly it will pay you to ask your shareholders to subscribe, thereby enabling the shareholders to earn much more than they would without the machinery.

19078. *Q.* Our experience in England was not this when we had 50 per cent. excess profits tax. Many people found that they could improve their output by putting down a plant costing much money; they would be paying 50 per cent. of the profit to the Government and at the end of the time would be left with a highly priced machinery from which they could not make any profit.

A. War conditions are not normal conditions because one did not know when the war was going to end. If you put up a plant costing about £100,000, you did not know whether you were going to get the benefit of the plant.

19079. *Q.* It would not be worth while to put up an expensive machinery and give half the profit to Government.

A. You can make your shareholders give you more money and you enable them to earn more. It will be in their interests. I wonder whether I have made myself clear to you.

19080. *Q.* Not as a business proposition.

A. Supposing you have invested Rs. 10 *lakhs* on any particular industrial concern and you want a new plant costing a lakh of rupees, you increase your capital and that will enable you to pay more to your shareholders who will be glad to give you this additional sum because they will get very high returns.

19081. *Q.* With a very expensive machine?

A. If in the case of 50 per cent. profit, the Government are going to take only 14 per cent., there is the 36 per cent. profit for the shareholders. As a shareholder of any company, I would like to invest such savings as I may have.

19082. *Q.* We will leave that point. You have not considered in that connexion the question of watering capital and company's shares, I suppose.

A. I do think that there is a chance of watering capital, but industrialists will not agree to the watering of capital because it will not be to their interests in the long run. They would not like to lower the dividends to 6 or 10 per cent. when the shareholders are accustomed to more.

19083. *Q.* In reply to question No. 9, you say that one of the advantages to be derived from protective tariffs is "increase in the monetary receipts of the country due to the export of manufactured articles in place of raw materials." Now you know the protectionist countries under their tariff walls adopt a plan of selling at higher prices internally and exporting at lower prices.

A In some cases, and not in all cases.

19084. *Q.* That is generally known as dumping.

A. Yes.

19085. *Q.* Do you advocate that policy for India?

A. No. I don't think that I would advocate that.

19086. *Q.* You don't approve altogether of the Germany's and Japan's industrial success.

A. In certain cases I don't. I don't approve of the policy of dumping goods in foreign markets.

19087. *Q.* But is not that supposed to be the whole case for protection?

A. I don't think that that is the whole case. There is no doubt that the dumping of products of certain industries injures that industry in that country, but it may lead that country to develop certain other industries; for instance in the case of sugar the German Government did give a bounty on the export of sugar and England of course had not much of sugar industry even before that, but she was able to develop certain other industries, jam industry, confectionery trade, etc.

19088. *Q.* I am thinking of the interests of India only now. Germany and Japan are always held up to us as examples of what could be done with tariffs. They built up their industries, so I understand, by selling at higher prices to their own people than they did to others.

A. Not all articles. Dumping has taken place as far as my knowledge goes only in certain articles.

19089. *Q.* The steel industry of Germany and the cotton industry of Japan are cases in point.

A. I am not sure about the cotton industry of Japan. I am not sure whether the home prices are much higher than the export prices in Japan, but in the case of steel and certain other articles Germany has adopted dumping.

19090. *Q.* As a protectionist you are against any policy of dumping?

A. I am against dumping.

19091. *Q.* Even done by ourselves?

A. Yes.

19092. *Mr. Seshagiri Ayyar.*—*Q.* I think you said that agriculture would suffer to some extent if labour is depleted to industrial purposes.

A. No, I did not say that agriculture would suffer.

19093. *Q.* To some extent?

A. Not by the diversion of labour from agriculture.

19094. *Q.* You think that agriculture will not suffer by the employment of more men in industrial pursuits?

A. No, I don't think that it will suffer.

19095. *Q.* I wanted because we had had evidence to this effect. At present there are too many men on the land, and if some men are taken away, it will have the effect of making these drones work harder than they are doing now. This will be for the improvement of agriculture as well as for the good of the industry.

A. Yes.

19096. *Q.* Mr. Rhodes asked you about the agricultural college, and I know that the men who are produced out of the college are not taking to agriculture. I don't know whether you have studied the curriculum or studied in the agricultural college.

A. I have got a very faint recollection.

19097. *Q.* It is more of theory than of practice.

A. There are some agricultural farms where the students are expected to undergo some practical training.

19098. *Q.* I had an unfortunate experience. I sent a distant relation of mine to study in the Agricultural College, so that he might be employed in my own village and I found that on his return from the college he was altogether unfit for the duties which I wanted him to undertake.

A. Quite possibly. I know of a young man who went to the Lyallpur Agricultural College, who is now looking after the lands of his father.

19099. *Q.* I found that a retired revenue inspector was far better able to look after my village than this man who had been to the Agricultural College, that was because there was little of practical teaching and a great deal more of theoretical teaching in the college.

A. It is probably true.

19100. *Mr. Rhodes.*—*Q.* I want to know whether the Agricultural College at Lyallpur provides teaching on the economical side.

A. Very little.

19101. *Q.* Marginal land, and that sort of thing.

A. Yes.

19102. *Mr. Seshagiri Ayyar.*—*Q.* Do you think that if there is to be more demonstration work in the Agricultural College, more students will be attracted to it?

A. Yes.

19103. *Q.* About the humorous point referred to by Mr. Rhodes I don't know whether you have have read that humorous novel of Oliver Wendel Holmes where there are three personalities in one man. He says that when two men Thomas and John are speaking to each other, he cannot understand why there should be so much disagreement and he finds out the reason in this way. There is Thomas' Thomas, John's Thomas and real Thomas, and probably your answer would be that there are Mr. Rhodes' Tannan, Tannan's Tannan and real Tannan. That is the reason why he finds so many difficulties, so many inconsistencies in your answers.

A. That is between you and Mr. Rhodes.

19104. *Q.* Now as regards the question put to you by the Chairman about the question of income-tax and the industrial tax overlapping, I believe that as a matter of fact we have this overlapping in the case of Municipal taxation.

A. Yes. There are certain taxes like that.

19105. *Q.* You don't think that there will be much difficulty in assessing the tax?

A. I don't think so.

19106. *Q.* There is some little difficulty about your reply to question No. 23. There is, I think, justification for the Jekell-Hyde theory in this. You say "In the case of a protective tariff the question whether the article is necessary or not need not affect our fiscal policy to any large extent." I take it that what you mean is this that so far as the necessaries of life are concerned, this country produces almost the whole of them.

A. Quite right.

19107. *Q.* About the excise duty and the handloom industry: you say that you belong to that class and that you have some practical knowledge.

A. I had some little experience of the handloom industry.

19108. *Q.* Generally, there is no competition between the handloom industry and the powerloom industry.

A. In certain lines, there is competition; in other lines there is not much competition.

19109. *Q.* We find in the paper circulated by Mr. Collins of the Bihar and Orissa Government that 95 per cent. of the cloth woven by the handloom weavers in that province can be made in the mills. Therefore there is a real competition to the extent of 95 per cent. and in Madras we find that there is keen competition between the handloom industry and the powerloom industry.

A. My experience relates only to the Punjab.

19110. *Q.* Therefore you cannot say that there is no competition between the handloom industry and the power loom industry in other provinces?

A. I cannot say from my personal experience.

19111. *Q.* The other point which I wanted to know is this. You say that the handloom industry does not consume finer counts of yarn generally.

A. In some cases it does; in other cases it does not. In the Punjab to a very large extent only lower counts of yarn are used by the handloom industry.

19112. *Q.* Do you know that 4·76 crores of pounds of yarn are imported?

A. Yes.

19113. *Q.* Out of this according to a very reliable authority, nearly four crores are utilised by the handloom weavers and only ·76 was utilised by the powerloom weavers.

A. Are these figures for the year 1919-20?

19114. *Q.* For the year 1920-21. We had it from Mr. Wadia.

A. That may be his estimate.

19115. *Q.* Therefore you cannot say that the handloom weavers do not use finer counts of yarn. On the other hand, you would be justified in contending that a very large portion of the imported yarn is consumed by the handloom weavers.

A. I don't think so.

19116. *Q.* Notwithstanding the figures I have given you?

A. I do not know whether the estimate of Mr. Wadia is correct or not. I cannot support or contradict it.

19117. *Q.* I can give you my personal experience. The cloth I have put on and the turban I wear were all made in Madras. They were made out of finer counts, between 80 and 100, and I may tell you that a large number of people use these things. Therefore you might take it from me that the handloom weavers use finer counts of yarn.

A. Yes, that may be true of your Presidency.

19118. *Q.* I want to know whether by the imposition of a duty upon the finer counts of yarn you will not be handicapping the handloom industry.

A. I do think that the handloom industry will suffer a little, but as I suggested it may be possible to compensate the handloom industry by giving a sort of rebate on the duty charged on yarn.

19119. *Q.* How do you propose that they should be compensated?

A. If the Government of India derives certain revenue from the import duty on yarn of higher counts, then out of that revenue a certain percentage may be given to the handloom weavers provided they are satisfied that they use these higher counts of yarn. It is not difficult.

19120. *Q.* Whom would you select? You will have a most difficult process.

A. It is difficult no doubt. What I said was this. There is no doubt that the handloom industry will suffer a little, but in the interests of developing the spinning of finer counts in this country I said I would not mind. If the foreign yarn is to come, how can the spinning of finer counts be encouraged?

19121. *Q.* There is the question of freight which would be a protection.

A. Very little.

19122. *Q.* Why not?

A. I have not calculated the percentage of freight to the price of yarn, but I think that those members of this Commission who are engaged in this business will be able to say that the freight is almost negligible and that affords no protection.

19123. *Q. Sir Maneckjee Dadabhoy.*—Out of 30 crores of yarn used by the handloom weavers only 4 crores worth is imported. With that information you can answer Mr. Seshagiri Ayyar's question.

A. And that supports my theory, that most of the yarn which is used by the handloom weavers is made in this country.

19124. *Q.* I know that. I am only speaking now of the fine counts of yarn. I am not concerned with the coarser kinds turned out by the mills. I am putting it to you this. At present the finer counts of yarn are tax free.

A. Yes.

19125. *Q.* By putting a duty upon the finer counts of yarn, you will be handicapping the handloom industry.

A. Only for a very short period because the internal competition later on will lower the prices.

19126. *Q.* If I understand you aright, you say that if you put a duty it would encourage the mills to produce finer counts of yarn.

A. Quite right.

19127. *Q.* What is there to prevent at present the mills from producing the finer counts?

A. At the present time the position is this, that the mills have not given any thought for the finer counts which require a special kind of machinery. If you want to develop the spinning of finer counts, you ought to help the mills by putting a duty.

19128. *Q.* Even at the expense of the consumer?

A. Even if the handloom industry were to suffer a little.

19129. *Q.* Would it not be giving too much to a man who has much and too little to a man who has not?

A. I don't think so.

19130. *Q.* There is the excise duty of 3½ per cent. I think that you are practically in favour of the 11 per cent. import duty.

A. Yes. I am against the idea of an excise duty especially when our tariff is going to be a protective tariff.

19131. *Q.* What I am putting to you is this. Which would you prefer—the 7½ per cent. protective import duty or 11 per cent. protective duty minus 3½ per cent. excise duty?

A. From the point of view of mills?

19132. *Q.* Yes.

A. I should not alter the present duty of 11 per cent. I may also add that only in the case of finer fabrics of certain kinds, I should put up the duty.

19133. *Q.* If the 11 per cent. duty is to remain on, you would also retain the 3½ per cent. excise duty.

A. I don't think that it will injure the cotton industry.

19134. *Sir Maneckjee Dadabhoy.*—*Q.* Whether it is required for revenue purposes or not?

A. Only for revenue purposes.

19135. *Mr. Seshagiri Ayyar.*—*Q.* Supposing it is determined by the Legislative Assembly that this 11 per cent. duty should continue. What difference would it make whether this duty is protective duty or revenue duty?

A. My remarks do not apply only to the cotton industry. My remarks are general, that is to say if we are going to base our tariff on the protective system, the excise duty ought not to exist.

19136. *Q.* Why not?

A. Because if we want to develop our industries, there is no reason why we should have the excise duty. This particular industry can do and is strong enough to compete with the foreign products with this 3½ per cent. excise duty if this duty is required for the purpose of the revenue.

19137. *Q.* Quite so. Confining your attention purely to the excise duty upon cotton goods, would it not have the additional advantage of encouraging the handloom industry?

A. Very little.

19138. *Q.* It will have some effect.

A. Very little.

19139. *Q.* Would it not have any effect at all?

A. Just a little.

19140. *Q.* There is this to be said in favour of the 11 per cent. import duty and the retaining of the 3½ per cent. excise duty, while it gives the necessary margin of protection to the mill industry, it will, according to you, give some encouragement to the handloom industry as well.

A. As I said before, very little.

19141. *Mr. Coyajee.*—*Q.* Let us talk a little about your scheme of industrial taxes. The main idea, I take it, is that these businesses which make high profits because of high

import duties should contribute to the State a portion of the total profits which they make.

A. Yes.

19142. *Q.* With reference to the question put by Mr. Rhodes, would you not agree that the protection could never be methodically adjusted?

A. Of course not.

19143. *Q.* To any industry or to any concern at all the stages.

A. Quite right.

19144. *Q.* Therefore there is always the possibility of over protection.

A. Yes.

19145. *Q.* Consequently the necessity for this industrial taxation.

A. Yes.

19146. *Q.* Is there any duplication between the ordinary income tax and your industrial tax?

A. As I said before I advocate this industrial tax in part payment of the special advantages which the industries derive.

19147. *Q.* The income tax gives you no special advantage.

A. No.

19148. *Q.* The industry gets special advantages because of the tariff and there is no duplication whatever in the matter of industrial tax.

A. Quite so.

19149. *Q.* Then coming to the excise duty, industrial taxation has certain advantages according to your scheme.

A. Yes, certainly.

19150. *Q.* What are they please?

A. In the case of an industrial tax, there is no duty, if the profits do not exceed 10 per cent., whereas in the case of the excise duty it is levied, whether the mill or the industry makes any profit or not.

19151. *Q.* As you know, there is another advantage. The excise duty implies some idea of countervailing duty.

A. Yes.

19152. *Q.* Whereas industrial taxation only emphasises the idea of industries helping the finance.

A. Yes.

19153. *Q.* In a word, you will agree that industrial taxation is the natural complement of protection?

A. Quite right.

19154. *Q.* And you will agree that industrial taxation is the rational complement of protection?

A. The industries should give some assistance to the State if profits exceed certain reasonable limits.

19155. *Q.* You must have studied the subject of trusts?

A. Yes, to a certain extent.

19156. *Q.* You know that all combination is the result of over-production?

A. As I have stated in my written evidence, there are certain cases where trusts have come into existence in spite of the fact that the countries are free trade countries.

19157. *Q.* But over-production is a stimulus to combination?

A. Yes.

19158. *Q.* And so industrial taxation would take away the basis of over-production?

A. To a certain extent.

19159. *Q.* And so far render combinations less possible?

A. Quite right, but only to a certain extent, because the industries do not pay more than 50 per cent. if the profits exceed 50 per cent.

19160. *Q.* But your schedule is only hypothetical?

A. Yes.

19161. *Q.* You cannot depend too much on these figures. Industrial taxation may be so manipulated as to check over-production if necessary stringently?

A. Yes.

19162. *Q.* I might put to you another advantage of the scheme of industrial taxation. A great deal of apprehension has been expressed before this Commission that if a tariff wall is erected foreign firms will come in and make enormous profits and will undercut all Indian firms. This industrial taxation may be used for the purpose of checking that danger. It will automatically cut away very big profits.

A. That will apply to Indians as well as outsiders.

19163. *Q.* I suggest that if your scheme was adopted many of these apprehensions would be made groundless.

A. Yes, to a certain extent.

19164. *Q.* So much about this scheme of industrial taxation. Now, you are in favour of giving protection to the more promising industries. You are not in favour of a general tariff wall?

A. Not a general tariff wall, but I am in favour of protecting those industries which can be developed here within a reasonable period, and also some industries which are of national importance.

19165. *Q.* Certain opinions have been expressed before this Commission in favour of an all-comprehensive protection, and I require the benefit of your opinion on that matter. First, I will quote Mr. Marden's argument. His argument was that since all industries are interdependent you cannot support industries except by an all-comprehensive protection. What is your view?

A. My idea is while we will have to tax a good many of the foreign articles, I am not in favour of wholesale protection without considering possibilities.

19166. *Q.* Your view is the fact that industries are interdependent is no reason for a rigid or comprehensive scheme of protection.

A. Yes.

19167. *Q.* Here is another opinion on the same from Prof. Manu Subedar. I submit the same to your criticism. He observes: "Almost all industries need specific encouragement at the present moment in order to create an atmosphere in which business enterprise would be easily conducted."

A. He too qualified it by the word "almost."

19168. *Mr. Morarjee.*—In answer to question No. 5 you say: "The existing tariff has been harmful in more than one way to the industries of the country." Would you just specify the industries to which it has done harm?

A. Well, particularly the Indian textile industry.

19169. *Q.* Only the textile industry? Or any other industries?

A. There are several other industries also.

19170. *Q.* Can you specify them?

A. I would add sugar, certain kinds of metal manufacture.

19171. *Q.* You say: "Whereas assistance in one form or another has been given to the foreign manufacturers to exploit the Indian market." Now, will you please tell us what forms of assistance have been given?

A. Well, particularly in keeping the lower rate of import duties on imported goods, and specially the imported textile goods.

19172. *Q.* You say: "To exploit the Indian markets whilst the industrious artisan has been left alone to combat as best as he can the growing difficulties of his position." You mean by that that the artisans have suffered?

A. Yes.

19173. *Q.* Then, in regard to railway freights don't you think that the railway freights are very high?

A. Yes, they are.

19174. *Q.* What is your idea about the shipping industry?

A. I think it is an industry which ought to be developed. I think it is one of those industries which should be developed even if Government have to spend a lot of money. It may be developed by laying down that goods coming in Indian bottoms should be charged lower rates of duties than goods coming in foreign bottoms; by giving preference to Indian companies in the way of carrying mails; by giving them monopoly of the coastal traffic, etc.

19175. *Sir Maneckjee Dadabhoy.*—I would like to clear up a couple of statements which you have made in your examination. In answer to Mr. Seshagiri Iyer you referred to the overlapping of taxes. Mr. Iyer argued that municipal taxes and industrial taxes might overlap.

A. What I understood from that was that just as in the case of municipal taxes there is certain overlapping there may be overlapping in the case of industrial taxes also. I said "yes."

19176. *Q.* But there is this difference: that while the municipal taxes are collected by local agents, the industrial tax and the income tax would be collected by one and the same authority.

A. No. There may be two overlapping taxes collected by one and the same authority. Municipal taxes do overlap in that way.

19177. *Q.* Will you give me an illustration?

A. There may be house tax and there may be certain other taxes.

19178. *Q.* Will you give me a concrete case?

A. I have had some experience of municipal forms of taxation, and my experience is that they do not overlap. Take house-tax what other tax will overlap with house-tax?

(Mr. Seshagiri Iyer.) Land tax. (Prof. Tannan.) I cannot instance any definite case, but there is a possibility.

19179. . In answer to Mr. Coyajee's questions you made two important statements. One was that there was no duplication in industrial taxation, because the industry would get special advantages,

A. What I meant to say was that this industrial tax will be in part payment of the special concessions which it gets.

19180. *Q.* You mean the special concessions by way of direct help from the State?

A. No. From the tariff wall.

19181. *Q.* You also said that industrial tax is better because it would automatically cut off huge profits of the industries and bring money into the State coffers.

A. Not the whole of it, but a portion of it.

19182. *Q.* Then the industrial tax would be nothing less than an excess profits tax?

A. In a way it is.

19183. *Q.* Do you know the history of the excess profits tax? The excess profits tax in England has ruined the industries of England. Has not that been found by recent experience?

A. I think the war conditions were abnormal conditions.

19184. *Q.* But these abnormal taxes were imposed in England and England paid heavily for it, and you want to introduce similar difficulties in India?

A. I do not think those difficulties will arise in India. If most of the industries are not likely to make huge profits the portion of the profits which go to the State will be very small.

19185. *Mr. J. C. Coyajee:*—*Q.* The excess profits tax during the war was levied in England as a result of the abnormal stimulus, whereas the industrial tax in India will be as a result of a permanent steady stimulus?

A. Yes.

(The witness withdrew.)

Witness No. 124.

Written statement of MANMOHANDAS RAMJI, M.L.A., Ridge Road, Malabar Hill, Bombay, dated the 7th January 1922.

19186. At the outset I may be permitted to explain that my attitude towards the tariff policy of India is neither that of a protectionist nor that of an out and out freetrader. So far as I can understand neither protection nor free-trade is an end in itself but it is merely a means to an end namely, the economic salvation of the country. Economically the country is so situated that at present if Herculean efforts were to be made to reap up all of a sudden various industries in the country like mushrooms it will inevitably tell very heavily upon the consumers. On the other hand, if a policy of laizzesfaire were to be adopted without taking into serious consideration the question of the regeneration of Industrial India it will naturally keep the country an agricultural one leaving it to the tender mercies of the monsoon and making its financial solvency a matter of mere gamble in rain. I see no objection for imposing customs duties for revenue purposes or levying customs duties to the extent of 10 to 15 per cent. with a view to give protection to new industries which are likely to develop within a period of 10 years. I do not see any advantage in giving protection to those industries which are not likely to thrive even after protecting them for 10 years.

19187. Also I would suggest removal of excise duty on cloth manufactured in Indian Mills. My reason for suggesting this is that this duty was put in order to satisfy the unjust wish of Lancashire manufacturers. If it is argued that now these duties are levied not to protect the Lancashire interest but for revenue purposes, then why tax only the production of Indian Mills and allow other industries to go scot-free. Some people argue that Indian industries should not be given any protection at all, because the industrial development of India would require more labour and hence the agriculture will suffer. I think that this argument is fallacious. Indian agriculture will never suffer even if the Indian industries are developed to their fullest extent. The present tendency is to economise manual labour by introducing labour-saving machinery both in the industries and the agriculture. With these few remarks I now answer seriatim the various questions issued by the Commission.

SECTION A.—GENERAL.

19188. 1. I am of opinion that those industries only should be protected which are able enough to stand on their own legs after enjoying for period of 5 or 7 years protection to the extent of 10 per cent. With this reservation I am generally in favour of the policy of free-trade. I have no objection to the levying of duties for revenue purposes. If fresh taxation were necessary I would prefer an increase in customs duties.

19189. 2. Yes.

19190. 3. I propose that the duty of 2½ per cent. on fire-wood under the heading 'timber' in schedule 2 of III of the tariff schedule should be abolished. If excise duty is to be continued a rebate ought to be secured to the sizing materials as was done in the past. Grain and pulse should be on the free list. In part 5 of the tariff schedule umbrellas which are charged at 20 per cent. as an article of luxury should be charged at the general rate of 11 per cent.

19191. 4. The present practice is suitable. I think it is likely to give protection to new industries. It may also check to some extent the dumping of foreign goods but the present policy of levying countervailing duty on locally manufactured goods is contrary to all principles of equity and it indirectly gives protection to Lancashire manufacturers. I think there is no competition between India and Lancashire as far as the manufacture of piece-goods is concerned. The former produces cloth for the consumption of poor and middle class people whereas the latter supplies the want of richer class.

19192. 5. The present policy has not been given sufficient time to definitely predict all the advantages that might accrue to India from its continuance. The effect of the present tariff policy on Indian Industries in the future will be good both to new and existing industries if the present policy is continued in future.

19193. 6. I am certainly opposed to the imposing of an excise duty on articles manufactured in India, when duty is imposed on an article imported from abroad.

7. Please refer to answer to Question 6.

19194. 8. No. It will naturally have the effect of raising the price to the consumers.

19195. 9. Not necessary. Protection is required in case of those industries which can be established on a sound footing with a small protection within a limited period. If such protection is given there is every likelihood of many new industries coming forward and working successfully.

19196. 10. Yes. If all facilities are given to new industries by way of guaranteeing interest, cheap loan, and in certain cases by establishing pioneer demonstration factories, India may one day hope to be independent of other countries in regard to almost all her requirements of manufactured goods. With regard to the concluding portion of the question I think that India will have to be dependent on foreign supplies for such goods which are specialised in certain countries on account of certain natural and economic causes.

19197. 11. Please refer to answer to Question 9.

19198. 12. I consider protection to be necessary in case of following industries:—Needle, pins and cutlery, manufacturing gold threads, paints and varnish, bolts and nuts, umbrella making, paper-making, toy-making, glazed tiles, hoop iron, glass-making, enamelling, china clay, dye manufacture, medical drugs manufacture and ship building materials, etc.

19199. 13. Please refer to answer to Question 9.

19200. 14. Yes. I would confine protection to those industries which are likely after certain period to be able to face foreign competition. No industries should, in my opinion, be protected which would require continuous spoon-feeding.

19201. 15. Yes. Government should ascertain from various Consulates the amount of bounties, etc., obtainable in foreign countries and should try to give a little more protection to such industries in order to counterbalance the effect of extra encouragement given by foreign countries in the shape of bounties, etc.

19202. 16. I am in favour of cottage hand-loom industries, and all other cottage industries as well. Any encouragement given in that direction will lead to the employment of village labour which is badly in need of employment but which owing to the long-rooted habits and prejudices is loathe to come out of villages and join the urban industrial labour population.

19203. 17. I see no signs in the present industrial atmosphere for a rapid growth of combinations and trusts among the protected manufacturers of the nature suggested by the questionnaire but even if we were to believe for argument's sake that such combinations may rapidly develope the happening of such an event is at the best a contingency and I think it is not fair to withhold protection for the sake of an event which may or may not happen. Again the Government are perfectly competent to withdraw the protection the moment they find a sort of concerted action on the part of the protected class of manufacturers.

19204. 18. The prospects of foreign firms establishing themselves in India are to my mind not so easy as contemplated in the questionnaire. As a rule Indian industrialist will always stand foreign competition.

19205. 19. I do not think there is any likelihood of any conflict of interest arising between the weaving and spinning class, even if it does the Government may reconcile them by judicious adjustment of the tariffs.

19206. 20. I think that import duty will ultimately tend to raise prices though its effect may not be immediate.

19207. 21. Yes.

19208. 22. Yes: for the general benefit to the country.

19209. 23. Yes. Cheap umbrellas, bangles, matches, etc.

19210. 24. Yes. A. B. and C.

19211. 25. Indian trade will not suffer if the tariff walls are kept at a judicious height.

19212. 26—29. Yes.

19213. 30. Export duties should be imposed upon those articles which are produced exclusively in India and for which there is no foreign competition, *e.g.*, Jute and Hides. Export duties may also be utilised for bargaining with other countries and for retaliating any injustice done by other countries to India.

19214. 31. The effect of export duty on export trade as a rule will affect the local producer if there is any foreign competition in selling market. Yes, in certain cases such as jute, oils, etc., duty can be imposed without injuring the trade, as there is no foreign competition in the consuming market. The extent of duty should be determined in each case judiciously, so that it may not become a burden to the consumers.

19215. 32. No. No export duty should be imposed upon raw materials, because it will tend to affect the producer. If any manufacturer requiries any protection by way of getting cheap raw material he should not be encouraged at the expense of the producer, but he should be assisted by giving some sort of protection.

19216. 33. I do not consider that it would be advantageous to India to impose an export duty on food-stuffs with a view to lower Indian prices. However, under special circumstances such as famine years, the Government may well take into consideration the policy of controlling the export of food-stuffs, to meet the special wants of the country, otherwise the producer will suffer if export is controlled and may tend to increase other kind of produce.

19217. 34. Yes. In those countries where import duty is levied with a view to check the imports of finished articles India may well retaliate by levying a heavy duty on the export of raw materials to those countries.

SECTION B.—IMPERIAL PREFERENCE.

19218. 35. I am in favour of Imperial Preference but preference should not extend to more than 2½ to 3 per cent. on the whole, and that too, only in cases where the United Kingdom or other parts of the Empire do not come into competition with India.

19219. 36. Yes.

19220. 37. The gain to India that I contemplate by adopting a system of Imperial Preference is that the Empire will be able to compete with other foreign countries in India and thereby favourably affect the whole Empire. If the protective tariffs are reasonable there is no likelihood of any foreign country retaliating against India.

19221. 38. Those articles which are not produced in India. In respect of those articles I would recommend an average rate of 10 per cent. as the maximum.

19222. 39. Those articles which are not produced in India.

19223. 40. Please refer to answer to Question 35.

19224. 41. I do not think so.

19225. 42. I do not consider that the small percentage of Imperial Preference would tend to divert the trade from foreign countries generally.

SECTION C.—MANUFACTURES.

19226. 43. I am interested in the textile manufacture in the capacity of Managing Agent as well as Director.

19227. 44. Yes. Cheap labour though inefficient may be mentioned as one of the advantages for the cotton industry in India.

19228. 45. Yes, for both.

19229. 46-48. The state of organisation of the industries in the country is somewhat defective compared with other well-organised countries. The industry depends for the sale of its output on the following markets; for yarn it depends on local and China markets and for manufactured goods it is partly utilised in home consumption and partly it is exported to Africa, Persian Gulf and Aden. So far as the present quality of piece-goods and yarn is concerned there is no competition but when India will try to spin finer yarn and manufacture cloth from finer yarn they will have to face keen competition from the United Kingdom.

19230. 49. Great Britain possesses a natural advantage in the form of a uniform and suitable climate.

19231. 50. No. Indian mills for the present manufacture cloth generally from Indian yarn which are capable of spinning up to 30 warps and 40 wefts while foreign countries manufacture cloth only from superior yarn and as such they do not come into competition with Indian mills, though instances are on record to show that an attempt was made to produce cloth of the quality turned out in Indian mills, which was in vain.

19232. 51. No.

19233. 52-53. No.

19234. 54. *Nil.*

19235. 55-56. No.

19236. 57. There is no export duty on piece-goods although there is inequitous excise duty.

19237. 58. No.

19238. 59. Sizing, Finishing and Bleaching materials, mill store, leather belting, and dye-stuffs.

19239. 60. I would prefer the latter course.

SECTION E.—IMPORT TRADE.

19240. 70. In connection with my industry I import sizing materials and mill stores generally from Great Britain, also articles required for finishing and bleaching, leather strapping and bobbins.

19241. 71. The prices of these articles have increased since the breaking out of the European War.

19242. 72. No.

19243. 73. There would be no effect on the import trade if the preference to British goods were to be given in any one of the three cases suggested in the questionnaire.

19244. 74. I should recommend the latter alternative.

19245. 75. In my opinion it would merely tend to alter the proportion in which the total is derived from foreign and British countries without disturbing the volume of the total imports of the goods.

19246. 76. If the tariff is so judiciously fixed there is no fear from diverting the source of Indian imports from foreign to British countries.

19247. 77. I would suggest a preference from 2½ to 3 per cent. on those articles which do not come in competition with Indian manufactured article.

19248. 78. I approve of the system of levying customs duty *ad valorem*.

Oral evidence of Mr. MANMOHANDAS RAMJI, M.L.A., Bombay.

Mr. Manmohandas Ramji, M. L. A., Bombay, was called in and examined.

Please correct written note sent in by witness as follows:—

Answer to Question No. 31.—*Alter* last figure *18* into *30*.

Answer to Question No. 35.—*Insert* " not " *after* " do " and " come."

Answer to Question No. 390.—*Delete* the words " which ought to be produced, but ").

19249. *Sir Manakjee Dadabhoy.*—*Q.* You are a member of the Legislative Assembly?

A. Yes.

19250. *Q.* You are a mill-owner and Director of many mills?

A. Yes.

19251. *Q.* I understand you were at one time President of the Indian Piecegoods Merchants' Association?

A. I am still the President.

19252. *Q.* And you have served in many public capacities?

A. Yes.

19253. *Q.* You are also a member of the Mill-Owners' Association?

A. Yes.

19254. *Q.* And an ex-Chairman of the Bombay Indian Merchants' Chamber?

A. Yes.

19255. *Q.* And you have had various opportunities of securing practical knowledge of the working of Indian industries?

A. Yes.

19256. *Q.* I gather from your note that you are neither an out and out protectionist nor an out and out free trader, but your policy is one of discrimination?

A. Yes.

19257. *Q.* You qualify your protective policy by laying down two limitations and those two limitations are: that an industry should not be continuously protected, but should be protected only from 5 to 7 years, and that the protection should not exceed 10 per cent.

A. Yes.

19258. *Q.* I suppose I have correctly put you view?

A. Yes.

19259. *Q.* This view you take because you think that a policy of protection or free trade is not an end in itself, but only a means to an end, as you pithily put it. Your policy is to see what amount of protection could really help the industry and give that amount of protection. You say: " I see no objection for imposing customs duties for revenue purpose or levying customs duties to the extent of 10 or 15 per cent. with a view to give protection to new industries which are likely to develop within a period of 10 years." I gather from this statement of yours that you would not like the customs duties ordinarily to exceed 10 to 15 per cent. Is that even for protective purposes?

A. No, I mean for revenue purposes.

19260. *Q.* But you say: " I am of opinion that those industries only should be protected which are able enough to stand on their own legs, after enjoying for a period of 5 or 7 years protection to the extent of 10 per cent."

A. In the first paragraph, I am speaking of revenue duties, but protective duties I deal with subsequently. When I say " protection to the extent of 10 per cent." I mean that this duty should be over and above the revenue duty of 10 to 15 per cent.

19261. *Q.* That is not clear from your statement. You say now that for protective purposes you would put a duty to the extent of 10 per cent. in addition to the revenue duty of 10 to 15 per cent.?

A. Yes, if both are put simultaneously.

19262. *Q.* You make an important statement about agriculture which is of great importance to us. You say: " Some people argue that Indian industries should not be given any protection at all, because the industrial development of India would require more labour and hence agriculture will suffer. I think that this argument is fallacious." A little lower down in paragraph 16 you say: " Any encouragement given in that direction (*i.e.*, for the handloom industry) will lead to the employment of village labour which is badly in need of employment but which owing to the long-rooted habits and prejudices is loathe to come out of villages and join the urban industrial labour population." I am laying special emphasis on these statements of yours, because in the course of our enquiries we have been informed that if a policy of industrialisation is adopted in the country agricultural labour will be diverted to industrial pursuits and agriculture will as a result suffer and there will be recurrence of famines. On the other hand, your opinion seems to be that it is almost an impossible task to detach agricultural labourers from their homes and family surroundings and that they do not easily go to urban areas.

A. Well, there are two classes of agricultural labourers. One class is those who work as labourers on payment of wages. Of course these can be hired according to requirements. I do not apply my statement in paragraph 16 to that class, because that class will choose their own work wherever they get better wages. If a labourer of that class gets 10 annas in the fields and is offered 12 or 14 annas elsewhere he will leave the fields and go there. But the other people who own lands as agriculturists or who share with the owner of the land for cultivation, these are a respectable class in their own society, particularly their women, and would not go to work outside. They would like to work in their own homes during their spare time, but they would not like to work as ordinary labourers in some other class of work.

19263. *Q.* In England we have got a class of labourers who work as industrial labourers from father to son. But I understand in Bombay you get your labour for industries from Ratnagiri and other places: they work here for a few months and they go back.

A. That only applies to those people who hold very small holdings, half an acre or one-fourth of an acre, which is not enough for their maintenance and therefore they come and work in the mills.

19264. *Q.* If that ½ or ¼ acre is not sufficient for their subsistence, why should they leave the more remunerative employment in the mills and go back?

A. They have two objects. One is that they do not want to give up their ancestral holdings. That is a sentimental reason. And the other thing is that their work here is so tedious that they require some rest. These two things together make them go to their homes and do something while they are there.

19265. *Q.* They do not want to be permanently detached from their agricultural holdings?

A. Yes.

19266. *Q.* So the danger of the agricultural population being easily diverted to industrial pursuits is not after all very serious?

A. Yes.

19267. *Q.* In paragraph 3 you say that the duty of 2½ per cent. on firewood under the heading " timber " in schedule 2 of part III of the tariff schedule should be abolished. Where is that timber imported from?

A. It is imported from Indian ports.

19268. *Q.* Which Indian ports?

A. It comes from Goa and many other ports which are situated near forests. There is a duty on these articles. It makes firewood a little costlier to the consumer and I would not tax such articles.

19269. *Q.* You say it is a coastal trade coming from one port to another. If that is so, they must be

Indian ports. Are import duties levied on goods coming from one port of India to another?

A. They levy it for revenue purposes.

19270. *Q.* Are you sure that it is not *octroi* or municipal duty?

A. It is mentioned in the schedule of tariffs.

19271. *Q.* Then it must be coming from foreign ports and not from our own ports?

A. Even if it is coming from foreign ports I would not charge duty on it, because among poor people it is a necessity of life.

19272. *Q.* You say "it may also check to some extent the dumping of foreign goods but the present policy of levying countervailing duty on locally manufactured goods is contrary to all principles of equity." How would you check it?

A. By putting heavier duty on those articles.

19273. *Q.* Import duty?

A. Yes.

19274. *Q.* Is that the best method of stopping dumping?

A. There is no other method I can suggest.

19275. *Q.* Is dumping after all an unmixed evil?

A. Well, it all depends upon one's.

19276. *Q.* Does not the consumer get the benefit of it?

A. Not always. It may come in the way of Indian industries. If dumping steps in and if there is competition between the Indian and foreign countries, it will harm the Indian industries.

19277. *Q.* Then your only suggestion is that by putting heavier duties you would stop dumping?

A. Yes.

19278. *Q.* In paragraph 19 you refer to the conflict of interest between weaving and spinning class. I want to know how there is really a conflict. How does this 11 per cent. import duty on piecegoods affect the spinning industry?

A. It does not affect the spinning industry at all. There is really no conflict of interest so far now.

19279. *Q.* Is there no injustice to the spinning industry by this imposition of 11 per cent. on piecegoods?

A. Not at all.

19280. *Q.* What do you mean by saying "there is no likelihood of any conflict of interest arising between the weaving and spinning class, even if it does the Government may reconcile them by judicious adjustment of the tariffs?

A. You see the whole thing is this; that there are mills where there is weaving and mills where there are both spinning and weaving. Now there may be a conflict between the mill having its own yarn and the mill that has only weaving. The mill that has both spinning and weaving will be put to advantage.

19281. *Q.* Then there is some diversity of interest. Isn't it?

A. Yes.

19282. *Q.* You would then qualify that statement?

A. Yes.

19283. *Q.* You are interested largely in the mill industry. I should like to know your views about the present duty? Do you think the textile industry of Bombay needs further protection?

A. Personally I do not think that the industry needs protection?

19284. *Q.* Then it is in a position to withstand competition?

A. There is no competition at present. But when it comes to finer counts there will be a competition and a very keen competition.

19285. *Q.* Are Indian mills taking to weaving of finer counts?

A. Yes, very gradually.

19286. *Q.* So when the Indian mills take to weaving finer counts you think you will have to protect the Indian mill industry?

A. I cannot say that at present; but time and circumstances may require it.

19287. *Q.* What is your opinion about the present condition of the Indian mills?

A. The present economic condition?

19288. *Q.* Yes.

A. The present position is favourable for the industry.

19289. *Q.* Do you think that this is temporary or has it come to stay in the country?

A. Well, the present profits are not going to stay for a very long time. It may last for six or twelve months even at reduced rates. But they are not going to last for ever. The normal profits that the mills made in pre-war days will remain.

19290. *Q.* What were the normal profits?

A. I think about 20 per cent. on an average.

19291. *Q.* Have you worked them out?

A. I have not gone into actual figures. But from my experience of the last 40 years I think it would be about 20 per cent.

19292. *Q.* You think there is an average of 20 per cent., average of all the mills?

A. Yes.

19293. *Q.* Can you tell me roughly the period you are referring to?

A. The last 20 years before the war. Of course there were periods when there was no profit. There may have been three or four years of bad times. If you take the profits for the whole period and strike the average it will come to that.

19294. *Q.* Before the war, I am to understand from your statement that the industry was doing well, earning about 20 per cent. profits?

A. Oh yes.

19295. *Q.* Then I want to know from you as an experienced mill owner and director of several mills whether those profits were adequate for the capital invested.

A. If the mills earn on an average 20 per cent. that will be enough.

19296. *Q.* If according to your statement the mill industries during the 20 years preceding the war were doing well, why do your Bombay people object to the 3½ per cent. excise duty?

A. Because it is a countervailing duty. That is the word which they object to.

19297. *Q.* You mean you abhor the nomenclature rather than anything else?

A. I do not object if it is even 10 per cent. for revenue purposes, but if it is for the sake of other countries that you want to tax, then I object to it on principle.

19298. *Q.* Then, I understand that the circumstances under which the duty was imposed made it unpopular. But if that duty is levied as for revenue purposes you have no objection to the levy of the duty?

A. I have no objection to the levy of the duty for revenue purposes; but I would say that the import duty on the imported article should not be abolished and this duty kept for revenue purposes. If there is import duty and besides that if you want to raise more money then you can resort to excise.

19299. *Q.* The import duty is 11 per cent. and the excise is 3½ per cent. Do you think that this margin is fair or is it insufficient?

A. I think on principle the excise duty is not fair. But I cannot fix any margin between the two. It all depends upon circumstances.

19300. *Q.* You know as a member of the Legislative Assembly that the revenues of the Government of India are in a bad way. Revenue duties will be required for some years to come. I do not see at any rate, and I suppose you will agree with me, that there is much prospect of additional revenue coming in. So some sort of duty will have to be got for revenue purposes. If this excise duty is kept for revenue purposes—I am taking a hypothetical case—do you think that the present 11 per cent. import duty gives a sufficient margin or do you want to increase this import duty of 11 per cent.

A. If we want more money I would increase import duties.

19301. *Q.* Your position then is that if more money is required for revenue purposes you will go in first for the increase of import duties?

A. The reason why I suggest that is that the textile goods imported into this country are consumed generally by the rich. The Indian mills supply the wants of the poor. Therefore, I say do not put heavier burden on these poor people even for revenue purpose, but tax as much as you can the rich.

19302. *Q.* The other day one of your citizens, Mr. Wadia told us that he would even go to the extent of doubling the excise. What is your view?

A. I won't go up to that limit, never.

19303. *Q.* You would not exceed the present limit of 3½ per cent,

A. If circumstances demand that we cannot reduce this duty I would be satisfied to keep it on at its present level. But as soon as the time permits it should be lowered, if anything, but never increased.

19304. *Q.* Then your idea is that if the revenue facilities improve, that is if you find other sources of revenue, then this duty should be abolished or reduced?

A. Yes, at the first opportunity.

19305. *Q.* As regards these export duties, I see that you are generally against the imposition of the duties.

A. Yes.

19306. *Q.* I should like to have your opinion on one or two points because we have had conflicting opinions before us. What is your opinion about an export duty on oil seeds?

A. If you put export duty on oil seeds there may be another article which a cultivator may find remunerative and he will reduce the production of oil seeds. Whenever there is an import duty on any production it means that the producer will get so much less, because the prices are governed by the cheap markets where large quantities of these things are grown. It does not depend upon the Indian market alone. India has entered the world market. Therefore there should be no export tax on any ingredients if we can avoid it.

19307. *Q.* Will export duty depreciate the value of crops?

A. Yes, to the cultivator.

19308. *Q.* Who pays the export duty, the producer or the exporter?

A. The cultivator will ultimately suffer. Let us take for instance wheat. The price of wheat is governed by the world market. If you put a duty on the export of wheat our wheat will be subject to so much reduction in the consumption and hence the producer will get the loss.

19309. *Q.* You do not recommend any duty on wheat?

A. No.

19310. *Q.* Supposing in case of shortage of crop you require wheat to be retained in the country, what would you do? Would you put export duty, or would you have any special control?

A. I would perfer control; but that only under exceptional conditions such as famines.

19311. *Q.* In this connection I should like to know about the present excise duty on rice. There is at present an excise duty of 3½ annas per maund of rice. Does that affect it in any way?

A. I have not thought about it. I should therefore hesitate to give an answer.

19312. *Mr. Narottam Morarji.*—*Q.* In Bombay and Ahmedabad there are many mills. Do you think that in Bombay agriculture has suffered?

A. Not at all.

19313. *Q.* In the past two years because piecegoods were ordered on Indian firms there was worldwide slump. Was it due to the fact that Lancashire suffered or was it owing to the 11 per cent. duty?

A. The thing was this, that when the cotton prices went up to about 25*d.* per lb. all of a sudden at that particular time the exchange policy of the Government came to be changed and people made large purchases on account of the exchange going up. They thought that they would make large profits out of this. But when the time came for taking delivery the exchange also collapsed and the merchants suffered very heavily. The exchange went down from 2*s.* 10*d.* to 1*s.* 6*d.* and even downwards and the goods cost very heavily, twice as much because the difference in the exchange was between 35 and 40 per cent. and therefore these goods could not be sold immediately in the market on account of the high prices of the goods and therefore the slump took place.

19314. *Q.* The 11 per cent. duty has had nothing to do.

A. Nothing at all, because as I said before to Sir Manakjee Dadhabhoy there is no competition in India whereby Lancashire might suffer on account of the import duties.

19315. *Q.* Do you think that after several years India will be able to spin finer counts?

A. Yes, if there is a judicious management and if the Government help the cultivators to do it.

19316. *Q.* Before India can grow cotton for finer counts if she has to import cotton suitable for the manufacture of finer counts and if the Indian mills desire to produce finer counts how would you give protection to them?

A. I don't think they would need protection. You know from your own experience that India about 40 years ago used to grow long staple cotton. Before the deterioration came in India used to produce purely long staple cotton and Indian mills were unable to produce more more than 14*s.* or 16*s.* Then gradually as people got experience in working we have gone up to spinning 30*s.* We have successfully been spinning 30*s.* Now there are some mills which are producing 40*s.* but they are from American and South African cotton.

19317. *Q.* What do you think of the Japanese competition?

A. Japan entered this competition during the war. Of course it has got some hold of the market and I think it will keep that hold.

19318. *Q.* What do you think of this khadi movement?

A. As I said in answer to another question if people who do not go out to work can spend their leisure in spinning khadi, they are quite welcome. But as a business or economic proposition it will not work.

19319. *Q.* Are not railway freights very high?

A. Yes, they are rather against the Indian interests. There are two classes of rates. The rates from port to port have come in the way of the Indian industries. You find that port rates are much favourable because railway companies think that by taking goods direct from one port to another they can despatch them very soon. But they reduce it so much that it has gone against the industry. Now I will cite one case. The railway rate from Bombay to Calcutta is very much less than from Thana to Calcutta though the difference between the two distances is only 12 miles. That is why many mills have sprung up in Bombay. This is the case in the matter of other industries also. Take the match industry. Matches from other countries can be sent to the interior of India much cheaper than from the interior to other places.

19320. *Q.* In some cases goods coming from foreign countries can be sold cheaper owing to these freights. The freights from England or Belgium are much cheaper than from Bombay to Calcutta.

A. Well, I don't know much about Belgium. From England we used to get piecegoods at about 12*s.* a ton freight, that is, for about six thousand miles, whereas freight from Bombay to Calcutta is about Rs. 1/1 per maund. If I remember right 27 maunds make one ton.

19321. *Q.* So you would suggest.

A. I would suggest that there should be a rate on mileage and not anything like port to port rates and such other rates.

19322. *Q.* You say in answer to question 18 that the Indian industrialist will always stand foreign competition. Do you think India can compete with the jute mills in Calcutta if they were to start jute mills in Calcutta?

A. Nothing prevents any Indian from competing with the European firms.

19323 *Q.* In answer to question 30 you say that export duties should be imposed upon those articles which are produced exclusively in India and for which there is no foreign competition, *e.g.* jute and hides. You also say that export duties may also be utilised for bargaining with other countries and for retaliating any injustice done by other countries to India. Jute may be a monopoly of India, but hides are no monopoly.

A. Not a monopoly. But then we know that by putting duties on hides we will not prevent the growth of it. You will not check it by artificial means as you would do in the case of food grains and other articles. Here it is a natural product and if you give help to your own industry by protection it will develop, and you would do a good service to the country. That is why I say that duties should be put on hides.

19324. *Mr. Coyajee.*—*Q.* You have thrown so much light on the topics before us that there is very little more to ask. But I would draw your attention again to your answer 18 in which you say that as a rule

Indian industrialists will always stand foreign competition. A great many apprehensions have been expressed before this Commission that if foreign firms were allowed to come in they will get monopolistic powers, and that therefore all sorts of restrictions should be put in the way of their coming. Various ideas have been proposed. One is that if a foreign firm comes in it should be compelled to take half its capital from Indian quarters and that also half the directorate should be Indian. Will this proposal meet with your approval?

A. No, because I do not see the reason for your putting the condition that half or one-third the capital should be Indian. Supposing that there is some important industry that could be developed in India successfully by some foreign firms although Indians do not develop that industry. If you prescribe conditions in India and if they are not disposed to invest their capital in India, it means that you stop a very important industry merely on sentimental grounds.

19325. *Q.* You believe that if foreigners start industries here we shall have a great advantage. We shall imitate them and develop industries.

A. It will give us practical experience at somebody else's cost.

19326. *Q.* In answer to question 12 you want to put an import duty on shipbuilding materials. But if you put a duty won't you stop our shipbuilding. Will not our shipbuilding industry suffer by the taxation of shipbuilding materials?

A. It is an answer for protection.

19327. *Mr. Seshagiri Iyer.*—*Q.* As regards your answer to question 18, supposing a concession is granted to a European firm, say with regard to forest exploitation a mining concession, mica, mining or gold mining, Government takes it into its head to give it on a long lease say 40 years. Would you then insist upon the Indian having a share in the concession or some kind of management, before such a concession is granted by Government?

A. In this connection I hold some peculiar views. I think the system of granting concessions is faulty. It is very easy for Europeans to get concessions, because the heads of departments are Europeans, and they meet each other. Of course I do not say this from prejudice, but from a practical point of view. There are facilities for Europeans to approach the authorities. They put their case before them and they get the concession. Government will say "This man came first and has established a certain rights," and they negotiate with that man, and if they both come to terms the concession is given. When Government is about to give a concession, they should publish the conditions of the whole concession and ask whether there is anybody who is prepared to come forward with more favourable terms.

19328. *Sir Manakjee Dadabhoy.*—*Q.* You recommend auction of concessions?

A. No. But I should advertise the conditions and ask whether anybody was coming forward. If nobody comes in, then of course Government will be justified in negotiating with any party that they like. But in the absence of such a procedure those who can approach the authorities are able to get the concession. I do not say that Government is so inclined that they will give it to Europeans and not to Indians. If the Indians approach first then they will stand equal chances. I do not doubt it. But the facilities are not so great as in the case of Europeons. If the Government make known the conditions and their intention that they are about to give the concession in a particular case it will attract the attention of several people and if there is any substance in the concession many people will come forward.

19329. *Q.* I want to get away from the racial question. As far as I understand your answer to question 18 if there is open competition you have no objection to Europeans coming to this country and establishing firms and so on. But supposing that a concession, a favourable treatment is accorded to a person, whether he is a Japanese, German and Englishman, would you not insist that in such cases, where the resources of the country are to be exploited a portion of the concession should go to the sons of the soil?

A. My suggestion does away with your query.

19330. *Q.* I do see it, but supposing it is still done?

A. Then it is the duty of every son of India to protest against that procedure.

Q. And to insist that he should have a share?

A. How? By remaining idle at home?

19331. *Q.* I don't want them to remain idle. What I say is that you should tell Government "If you are going to give a concession of that nature then you must associate with the concessionaires persons who are sons of the soil."

A. Why do you require this condition if the sons of the soil get equal facilities? As I say my precaution is this. Suppose an industry, a concession, requiries 5 crores and if you lay down that half the capital should be subscribed by Indians and you are not able to get the Indians to subscribe 2½ crores, the result will be that you will stop all chances of that industry coming to India through somebody else. That is my point.

19332. *Q.* I quite realise what you have stated, namely, that if there is open advertisement and open auction you won't have any concession arising.

A. I differentiate between auction and advertisement. I do not say that there should be auction. I say that Government should advertise and invite tenders stating the conditions which they are offering.

19333. *Q.* Government may not look at things from your point of view?

A. If they don't look at it properly, you must make them look at it from your point of view.

19334. *Q.* Supposing they don't?

A. How does it affect the fact that half the capital should be subscribed by Indians?

19335. *Q.* Then under no circumstances would you fetter the foreign companies which may come into existence?

A. No.

19336. *Q.* If there is to be a concession, you don't want any condition that there should be a portion of the shares to be subscribed by Indians. You don't insist upon it. That is your position.

A. Yes.

19337. *Q.* You said that you are prepared to go from 10 to 15 per cent. as a protective duty?

A. If it is a question of a protective duty it should be 10 per cent. irrespective of the import duty.

19338. *Q.* Supposing an article bears a duty of 2½ per cent. you would go beyond 12½ per cent. if it is by way of protection. That is your position?

A. Yes. Another condition is that the industry should be able to stand foreign competition within a limited period.

19339. *Q.* Coming to the question of excise duty, if I understood you rightly, you would retain the 3½ per cent. excise duty, if it is insisted upon for revenue purposes, and provided, I take it, that there is an import duty coming up to 11 per cent. Is that your position?

A. It is not my condition that the 3½ per cent. excise duty and the 11 per cent. import duty should bear a ratio. My position is this. I am agreeable to the retention of the 3½ per cent. duty for revenue purposes, if the State wants it for revenue purposes. But if the State does not want it for revenue purposes I should insist upon the removal of the duty at once.

19340. *Q.* Otherwise, at present you have no objection to the 3½ per cent. duty?

A. Looking to the huge deficits I have no objection.

19341. *Q.* If it indirectly benefits some other industry that would be an additional argument in favour of its retention?

A. I do not think there is protection to any industry by this 3½ per cent. duty.

19342. *Q.* Supposing it is so, it would have an encouraging effect upon the hand-loom industry?

A. You mean by getting cheaper yarn?

19343. *Q.* I am speaking purely of the 3½ per cent. advantage as between the hand-loom industry and the mill industry?

A. Then you are assuming that there is competition between the hand-loom and the mill industries.

19344. *Q.* Do you say that there is no competition?

A. I maintain that there is no competition at all. If there was competition between the hand-loom and

the 50,000 power in the mills this industry should have been wiped off long long ago. That the hand-loom industry has been able to retain its hold up till now successfully is only due to the special class of work that these weavers are interested in. It is impossible. It is not expedient from the manufacturers' point of view to enter into competition with this hand-loom industry. In fact they have tried and have failed in many cases.

19345. *Q.* Do you mean to say that the power looms have been unable to stamp out the hand-loom industry because there is a particular attraction on the part of the people of this country for the hand-loom cloth?

A. Not attraction. I mean in the designing. There are certain classes of cloths that the Mahrattas for instance will wear, certain sarees and bodices woven in a peculiar way. In the matter of their borders and the inside get-up it is very difficult for the machine factories to compete with.

19346. *Q.* You are speaking of your experience of Bombay. Supposing there is a province where the hand-loom industry does come into conflict with the mill industry and supposing that in 95 per cent. it is found that the hand-looms compete with the power looms, in that case, would you not give protection to the hand-loom industry? I am putting a hypothetical case.

A. There are a large number of people who are solely devoted to it. It is an ancient industry in this country and I think that if you allow that industry in any way to suffer you will throw out of employment a number of people for whom Government will not provide. These people are tenacious. They stick to their industry. The result of discouraging them will be to throw out of employment a very large number of people who are solely employed in it, and this is a serious matter for consideration.

19347. *Q.* On what grounds?

A. My proposition is a general one. Where a particular industry comes in competition with the factory products, in that particular case, and if there is any need for protecting this, I will have no objection to protect it by some means or other. But I would not generalise it and afford protection to the hand-looms at the expense of the factories.

19348. *Q.* So if the conditions that I mention are established you will have no objection to the proposition?

A. In the special case we can give protection for a special class of people.

19349. *Q.* In this connection you know that the finer counts of yarn, at any rate in the province of Madras, where I come from, are largely used by the hand-loom weavers. I take it that you would not impose an import duty on the finer counts.

A. No.

19350. *Q.* As regards dumping, you advanced a proposition that although it makes things cheaper to the people yet it kills the industry in the country, and therefore it is an evil which you would provide against. Take a concrete instance. Supposing by means of dumping in a particular rear goods are made cheaper but the particular industry in the country is killed altogether. Take for example a particular industry, matches or the paper industry, which was started in Bombay. With the sole object of killing it you flood the market with cheap matches and paper, as a result the Indian industry goes away altogether. Would you in such circumstances not have some legislation which would prevent dumping?

A. I have made a qualification in cases where it comes into conflict with the Indian industry.

19351. *Q.* You would provide against dumping when the market is flooded and the Indian industry is killed.

A. Yes.

19352. *Q.* With regard to railway rates, I want you to think out what some witnesses have put to us. It has been put to us that if the rate from Bombay to Calcutta is cheaper comparatively than the rate from Bombay to Peshawar, it is because there is a possibility of goods being taken back from Calcutta and there is not the same possibility of goods being taken back from Peshawar. Is there any reason why the railway companies should charge these varying rates?

A. The root cause of it is the port to port and the through rate. If this is done away with and mileage system adopted, you would do away with all the anomalies.

19353. *Q.* If the mileage system is adopted the railways may not always have goods on returning. The carriages may have to come empty, the companies will have to lose gradually.

A. The railway companies will have to see to that. The general public has not got to see to the question. Of course it affects the general public when the management of the railway system is changed from Company to State. But the State can raise its revenue by putting up the rates. If you have State management the State has the right to manipulate the income from the railways as they like. They put in a surcharge last year. This has been taken away this year. Next year they may put it up very high. People have no voice because you have no competition. That is what State management will work to.

19354. *Q.* Then I take it that you think that there must be some arangement with the railway companies?

A. It is a commercial question between the railways and the traders.

19355. *Mr. Rhodes.*—*Q.* Your view is that in India you have got the market, raw materials. You have got labour and organising ability, and any protection that you want on the top of all this would be very small, about 10 per cent. I think that is your position?

A. Yes.

19356. *Q.* I would like to ask you about this new proposition of yours regarding concessions. There is one little difficulty I see about it and I think you may probably be able to throw a little light on it. It is this. Suppose you (or I if you like) were to find valuable deposits somewhere which had been hidden for years. It cost you probably many years of hard labour and very great expense to find it. Having found this and having approached Government for a concession, would it be fair for Government to give it to somebody else? Could anybody else come in and stand in exactly the same position as yourself who have discovered the deposit?

A. In that case I should give preference to the first man, other conditions being equal. He deserves that preference for coming out first, and for his efforts at his investigation and ascertaining, and for that purpose I would give him preferential treatment. But I would not go further than that.

19357. *Q.* Only then you would encourage people to come and look about the surface of the country.

A. Yes. Otherwise there would be no encouragement at all.

19358. *Sir Manakjee Dadabhoy.*—*Q.* You would not object to foreigners prospecting? You won't stop them?

A. No. Why should I stop it? because it is open to any man to come forward and find out the minerals.

19359. *Q.* When he finds it out you would give him a reward?

A. Certainly.

19360. *Mr. Rhodes.*—*Q.* About the question of railway rates, which is not quite germane to our enquiry, but which is a very interesting one, there are two views generally about railway rates. One is that the railways should be worked as a commercial proposition, and the other is that the rates should be manipulated in the interests of industries. To get out of Bombay through the Ghats you have to spend vast sums of money. But to get out of Calcutta we have just to throw our rails down along level ground for hundreds of miles. There it is cheaper for us on our side to carry the goods on the railways than on this side. I would like to have your general views on this subject.

A. I have not followed your question.

19361. *Q.* I want to ask you whether you would have the railway rates manipulated in the interests of industries or whether you would have them run purely as a commercial proposition. I want to know how you would yourself run them if you are the sole owner.

A. As long as there are railways owned by Government surely people have the right to expect Govern-

ment to protect the industries of the country. But in the case where companies own the railways people have no right to dictate any terms to them unless there is a special condition at the time of giving the contract to the particular company for giving preferential treatment in the case of certain industries.

19362. *Q.* But let us take the case of Government. That is we are ourselves owning the railways. Should we then run them as a commercial proposition?

A. In that case certainly as a commercial proposition. But when it is pointed out to us that there is a likelihood of putting up a new industry by way of granting concession rates to that industry, in that case I consider it is the duty of the State to give that protection.

19363. *Q.* But if you were the owner of the line, would you not exactly do the same to encourage a new industry on your line? That would be running it as a commercial proposition, would not it?

A. Certainly. I mean the change in the ownership brings about all these questions. Here in the one case the people are the owners because the Government are the people and it is their prime duty to see that their industries are encouraged and therefore it is the bounden duty of that Government to encourage their own industries. When it comes to a company managed line, then in the case of old companies we cannot go and ask that company at this intermediate stage to reduce or give preferential treatment to certain industries. It is an impossible proposition to make but having regard to the ownership of some part of the railways and when new railway concessions are to be given, that must be one of the conditions that where the industry requires any special treatment in the matter of rates, it should be given.

19364. *Q.* You have not quite grasped my point. I am asking that if the line is owned by a company or is owned by a private individual it would still be his obvious duty as a businessman to give a concession rate if by doing that he can attract a new industry on to his line.

A. Yes.

19365. *Q.* Just in the same way, if the Bengal Nagpur Railway or Messrs. Tata Iron and Steel works owned the line would not the position be identically the same? In both cases is it not in the interests of the concern and of the country to give a concession rate?

A. Well, if it brings in more revenue and if nothing suffers, then it is the duty of everybody to look to his own interest and earn as much as he could.

19366. *Q.* Would you suggest carrying goods at a loss in order to benefit an industry?

A. No, I don't say that.

19367. *Q.* That is the other extreme.

A. Instead of making 10 per cent., you must be satisfied with making less.

19368. *Q.* On page 2, when you are talking about excise duties, you say "why should other industries go scot free." Well, you have just got a week to advise Sir William Hailey as to what other industries are capable of excise duty besides cotton and salt.

A. Well, you see that it is the duty of Government to see that they tax evenly and where they impose a tax, it should be with this condition that the people are able to bear it without feeling the hardship. Now this duty, as we know the origin of it, is that it is a countervailing excise duty and there I object. My other ground of objection is that this industry only is selected for that purpose. If they had put an excise duty on three or five industries, then I should not mind it. Now, if it is for revenue purposes, then I should say why not tax jute, why not tax some other thriving industry?

19369. *Q.* I quite appreciate your point. What I want to know is this. Can you suggest for our guidance any other industries which ought reasonably to bear an excise duty?

A. I think that it requires a very careful consideration and I am not prepared to answer that question off hand.

19370. *Mr. Mant.*—*Q.* I have very little to ask you. You have explained your views fully. You recommend, I understand, that protection should only be given for a very short period.

A. Yes.

19371. *Q.* Seven years at the outside.

A. Yes.

19372. *Q.* How would you ensure its being taken off at the end of that period? You know the difficulties in getting a protective duty removed in other countries. If once you start it, it is very hard to take it off.

A. How have they found it difficult to take it off? Fear of agitation?

19373. *Q.* No, in America for instance there have always been strong interests supporting the continuance of the protective duties when once they were started.

A. Then the Government must be very weak.

19374. *Q.* Perhaps they are. They have a democratic Government and this country also is going to have a democratic government. What I want to know is whether you can advise any special way of limiting the period of protective duties?

A. My theory in this connexion is this. The country is very poor and if you go on putting burdens by way of protection, (protecting all industries) then you will tax the people unnecessarily. I say that those industries in the first instance which are able to stand foreign competition for a number of years and with little protection, should be tackled first. As you have done them, go to the next and gradually tackle all. Then time will come when the Indian conditions will be quite different and you will be more able to tackle the very difficult industries I mean, where protection in the present stage will have to be high.

19375. *Q.* I quite understand that. But how would you ensure the duty being taken off at the end of the period?

A. At the end of the period of 7 years, if it is thought that there had not been sufficient time for that industry to go, it may be extended. Of course, it is not a rigid line that I draw. It must be regulated by conditions, but generally it ought not to be more than that period.

19376. *Q.* You would simply leave it to the authorities to deal with it at the time.

A. Yes.

19377. *Mr. Jamnadas Dwarkadas.*—*Q.* You know that we asked this question in our questionnaire (No. 29) whether you would suggest the establishment of a permanent organisation and you have answered the question in the affirmative.

A. Yes.

19378. *Q.* Don't you think that if an organisation of that character which would be advisory were created, it would be able to deal with a contingency of this sort, whether a particular industry deserves to have protection for a longer time or whether you want to reduce the protection?

A. Some authority with powers not merely advisory.

19379. *Q.* But the ultimate decision would rest with the Legislative Assembly.

A. What I say is that it should not be like many other advisory boards whose advice is thrown into the wastepaper basket and action is taken in quite a different way.

19380. *Q.* It would be advisory in this sense that the ultimate decision should rest with the Legislative Assembly.

A. But the advice of this Board should carry some weight with it.

19381. *Q.* Your examination has been very full and has been enlightening if I may say so. There are some points however on which I should like to have further information. Take your answer please with regard to foreign companies. You have taken a point of view which has not been taken by many witnesses.

A. I am sorry for them.

19382. *Q.* Most of them have been theorists and they are all frightened at the prospect of foreigners coming in. Your position in this respect is this, that provided equal terms are given to Indians as well as Europeans.

A. As far as concessions are concerned.

19383. *Q.* First of all you have no objection to the establishment of foreign firms in India.

A. None at all.

19384. *Q.* And so far as concessions are concerned provided equal opportunities are offered to both, you don't want any barrier put against the foreigner.

A. I mean when it is open competition, there should be no barrier at all.

19385. *Q.* You would not insist on a certain percentage of capital being owned by Indians and management being Indian?

A. Unfortunately I don't hold that opinion.

19386. *Q.* About the question of railway freight, Mr. Seshagiri Iyer suggested that because the railway company cannot bring back goods from Peshawar, they are charging more from here to Peshawar and less from here to Calcutta, that is the suggestion he has made. On the other hand don't you think that there is some room for this suggestion also that the port to port trade is cheaper because there is a tendency in the railway companies, State or private, to encourage export and import trade and not to encourage internal trade.

A. The object is not so. The object is not to discourage the local industrial trade, but somehow or other it has found favour in this idea. This idea has prevailed all along from the beginning when India simply depended upon imports and this thing has been carried on up till now. The root cause of the introduction of this system is that in Europe it is a position accepted by all people that there should be a special rate from port to port for encouraging this trade. I can believe that, but this system under present conditions of India has worked detrimentally to the Indian interests. It is a special case. All over the continent each nation or each Government is able to take care of itself. Here we have had to face a policy of free trade and therefore we are working under this disadvantage.

19387. *Q.* Now in regard to the excise duty, you object to it on principle.

A. Yes.

19388. *Q.* The history of this duty is rather sad so far as this country is concerned.

A. It was badly treated.

19389. *Q.* This policy was forced on us in the interests of Lancashire.

A. Yes.

19390. *Q.* That is why you would see the last of the excise duty if you can help it.

A. Yes.

19391. *Q.* You hold strongly, and you have said so in answer to Mr. Seshagiri Iyer, that this excise duty in no way protects the handloom industry.

A. Not at all.

19391. *Q.* Because your experience tells you that there is absolutely no protection between the goods produced by the mills and those produced by the handlooms.

A. Not at all.

19393. *Q.* If this argument is brought forward that this excise duty should be retained for the purpose of protecting the handloom industry, you would not attach any weight to the argument. After all any man who has experience in his line will take up that position.

A. How can I say that? That is my experience.

19394. *Q.* Now there is one point on which I am afraid questions have not been put to you, that is, with regard to Imperial Preference. You seem to favour a policy of Imperial Preference to a certain extent.

A. Yes, in a qualified way.

19395. *Q.* Would you mind elaborating your views?

A. My qualification begins with this that in cases where any import is not competing with the home industries, that is Indian industries, I should give Imperial Preference and that Imperial Preference should be to a limited extent. That I have stated. My ground for accepting that principle is this that it is one of our duties as a part and parcel of the Empire to see that our Empire trade is protected or properly looked after. If we allow foreign trade to grow in our own Dominions and don't give any preferential treatment to Empire production, I think it is a faulty idea and therefore under that condition, I should rather give protection to our industries, I mean Empire industries, against foreign industries.

19396. *Q.* Your position if I can sum it up is this that you would adopt the policy of Imperial Preference in those cases in which India has not to make any economic sacrifice.

A. When there is no competition between other parts of the Empire and India. For instance in the case of the textile goods, I should not give any preferential treatment.

19397. *Q.* You would restrict it to non-competitive articles.

A. Yes.

19398. *Q.* Where the advantage would be to the Empire as a whole and no loss to India.

A. Yes.

19399. *Mr. Rhodes.*—*Q.* Would you advocate putting higher duties against Japan for instance?

A. I will have no objection to do that provided that action does not come in competition with the Indian mills.

19400. *Mr. Jamnadas Dwarkadas.*—*Q.* Your support of the policy of Imperial Preference is mainly on the ground of patriotism.

A. Yes. You are quite sure that that policy should not cause in any way any economic disadvantage to India. If it is adopted judiciously, it should not cause any loss to India.

19401. *Mr. Coyajee.*—*Q.* There is a proposal before the Commission to grant heavy protection to hosiery and calico printing for their development in this country. Do you think that these particular articles have got any special claims to protection?

A. Well, even with heavy protection I have my doubts about calico printing. Calico printing is an industry, though in some countries highly specialised, done principally in goods spun out of very fine yarn and therefore India has not gone into that question as she is generally interested in coarse yarn. Time is of course coming fast when this industry is likely to take hold of the market and a reasonable protection, if given, will be welcomed.

19402. *Q.* Now what about hosiery?

A. Of course it requires a protection because from the foreign markets we get them very cheap and therefore it needs protection.

19403. *Q.* Would you give it at once?

A. Yes.

19404. *Q.* Then there is another proposal to give protection to cotton blankets made from cotton waste. Would you give protection to them?

A. I don't see any reason why they should require any protection.

Witness No. 125.

Written evidence of the Gujarat Islam Match Mfg. Co., Ltd., Kankaria Road, Ahmedahad, dated 30th January 1922.

C. Manufactures.

19405. 43. I am interested in the manufacture of matches of various kinds such as Safety, Pyrotechnic and Star Matches. I am the Secretary Treasurer and Agent of the Gujarat Islam Match Manufacturing Co., Ltd., Ahmedabad.

19406. 44. There are certainly natural advantages which the industry can have in India, the chief of them being wood. As you will agree, wood is to the match industry what cotton is to the textile industry. Wood is the ruling factor in the success of a match factory.

19407. 45. The industry is really of substantial importance to the economic prosperity of India. It is an undisputed fact that matches are absolutely indispensable both to the poor as well as rich. If India is therefore to progress towards satisfying her own requirements so far as possible or in other words if India is to be self-contained, match industry is of a good deal of economic importance to India. In this connection, it would be interesting to note that India has to import every year matches from Japan and Sweden to the extent of approximately five crores of rupees. To whatever extent therefore the national enterprise is helped it means a decrease in import of foreign matches to that much extent. In short, the value of these goods remain

in India and Indian labour and talent are thereby encouraged. The match industry is also essential to the national security. It would be admitted that during the great European war of 1914, the prices of matches would have been advanced beyond limit but for Japan. Supposing Japan takes up arms against Great Britain at a future date, how is India to be supplied with her requirements of Safety matches? The reply may here be given by a critic that she may turn her eyes towards Sweden and Austria. But if these countries are unfortunately dragged in any European war zone, I cannot imagine how pitiable the condition of India will be. Bearing all these facts in mind, I am of the opinion that this industry is of immense importance to the national security of India.

19408. 46. The industry in India may be correctly styled in the preliminary stage. This industry being quite novel to India, one has to encounter great difficulties in securing expert advice. If however it succeeds in finding out an expert which is not an easy task, it finds the remuneration asked by the expert too heavy for the infant industry to bear. In this connection, Japan, Sweden and other countries afford a very notable example. The Japanese, Swedish and several governments of other countries maintain experts at state cost, lending their services to the industries concerned gratis. It is only by this process that these countries have made rapid progress in commerce. These experts give very valuable advice from an initial to the final process of manufacturing a particular article. In other countries the Government exercise minute care in ascertaining that the industry gets regular supply of wood. In India, no doubt, we get a portion of our match wood from the Government forests at concession rates, but there are several difficulties in our way in this direction which have not been remedied by the Government in spite of several petitions. As an instance of the correctness of our above remarks, we hand you herewith a copy of a petition addressed by us to the Minister in charge, Agricultural portfolio, Bombay, which puts forth our minimum demands if the industry is to be successful. What a keen interest is taken by other Governments as regards the supply of match wood is well illustrated by our succeeding remarks. When all the state resources of the forests were being depleted in Germany, the German match manufacturers petitioned their Government to plant Aspen in state forests for manufacture of matches. The Russian match manufacturers asked their Government some time ago to take measures to check the export of match wood to foreign countries in order to ensure an adequate home supply. The above Governments thereupon took immediate measures to help their industries.

19409. In India, it is absolutely necessary that new plantations must be formed if the match industry is to be maintained. Many forest officers welcome match factories as a means of disposing of the various species of soft woods which are scattered throughout the forests and which impede the growth of valuable timber. It must however be understood that the constant cutting of these soft woods within a short time must result in depleting the forests of such trees no doubt to the advantage of the forest authorities but to the ruin of match factories. It is therefore absolutely necessary to copy the examples shown by other countries of making new plantations of soft woods in certain areas of the forest.

19410. The Governments of other countries supply certain articles to match factories from outside at keen prices which cannot be had in their own countries. The case in India is however quite the reverse. Here, the manufacturer has to rely on himself for the necessary materials as well as any other information. The Governments of other countries also maintain schools and colleges for awakening the interest of their subjects in any industry which is newly started. In India, there remains much to be desired in this direction. In Japan and other countries, the Government subsidise match industries in the way of transit charge both by land and sea, bounties, etc., in order to enable their industries to establish a firm footing in foreign markets, while there is no such case in India.

19411. 47. The industry depends for the sale of its products on the Indian market alone. It would however not be out of place to mention here that if the industry is helped in the right direction India would succeed in having at least a portion of the trade in the Persian Gulf.

19412. 48. So far as the safety matches are concerned, the industry has to face a very heavy competition at the hands of Japanese and Swedish manufacturers, particularly the former. As regards pyrotechnic matches, we have generally to compete with Germany. As our goods are not exported at the moment to any other country, we have nothing to complain as regards our difficulties there.

The competition is certainly more keen so far as safety matches are concerned.

19413. 49. We are not aware of any additional advantages experienced by other countries than those mentioned in reply to question 46.

19414 50. The match industry deserves protection from the Government in more ways than one.

I certainly appreciate the import duty of Re. 0-12-0 per gross on the import of foreign matches. This has resulted to a certain extent in the encouragement of the native enterprise. I am however of the opinion that the present duty must be enhanced to Re. 1-8-0 per gross in order to enable the match industry to stand on a firm footing. Here it may be criticised that the rate of import duty suggested by me would seriously affect the consumer. I am however not of this opinion. I do not believe that the prices of matches will rise to the full extent of duty. Foreign manufacturers in their attempt to hold a portion of the market for their goods when hard pressed will try to effect severe economy and efficiency in manufacturing matches. Thus, a portion of the duty would be borne by the manufacturers, and a portion would be wiped away by curtailing the margin of profit. To still further meet the situation, the manufacturers would undoubtedly revise their methods of selling matches to India by curtailing all the superfluous profits of the intermediaries. If the industry is thus protected, several new concerns would spring up which shall be the means of employing a portion of the starving population of India, promoting at the same time the occupation of transport, commerce, banking, insurance and such others. This will be a sufficient compensation to the consumer.

19415. Why I am so much in favour of protection is due to the excellent results derived therefrom by several foreign nations, especially Japan. The match industry was there first of all started in 1877. It was however not successful as the foreign matches were almost being undersold than what the Japanese match factories could afford to sell. The Government therefore realised the danger with which the industry was threatened and came to its help in 1888 by levying import duties on foreign matches. In spite of the duty, the match manufacturers felt it very hard to run their concerns successfully. Thereupon, they approached their Government and requested to double the import duty, which it did. The result was then what was expected. No doubt, the consumer had to pay a high price for matches of an inferior quality which he paid ungrudgingly. New match factories were immediately floated due to protection afforded by the Japanese Government with the result that not only Japan satisfied her own national requirements by driving away foreign matches, but secured a substantial export trade as well. The Japanese consumer had ultimately nothing to complain either as regards quality or price. As regards the latter, he was able to purchase his requirements at a lower price than what a foreigner was able to offer him.

19416. There is another point which I may bring to the notice of the Commission. Some foreign merchants have commenced importing splints without the chemical composition to avoid the import duty of Re. 0-12-0. Then they arrange to get the chemical composition applied here and fill the splints in boxes and sell them here. This must be immediately checked and an equal percentage of duty must be levied on such splints, outside and inside covers of matches.

19417. I would also urge the Commission the necessity of allowing infant industries as ours to import necessary chemicals, machinery and other stores required in the process of manufacture free of import duties in the first ten years which would go a long way in helping native enterprise.

19418. 51. I do believe that in course of time the match industry can successfully beat any foreign competition if our demands regarding continued regular supply of suitable match wood from Government forests at concession rates, special low railway charges, rendering expert advice free by state and foreign import duties on match chemicals and other stores are complied with by the Government. These are the absolute necessities which a national government would never ignore.

19419. 52. The industry has heavily suffered in the past from dumping by the Japanese and Swedish goods. I therefore earnestly draw the attention of the Commission to our demands made in paragraph 51 to overcome this difficulty.

19420. 53. The competition increases or decreases with the fall or rise in foreign exchange. For instance, the com-

petition was very keen when the value of Yens stood at about 105.

19421. 54. Owing to the unsettled conditions prevailing everywhere in the world, I cannot say if this phenomenon will be temporary.

19422. 55. I have nothing further to add to my reply to question No. 55.

19423. 56. The industry has received no benefit in any shape till the March of 1921 when an import duty of Re. 0-12-0 was imposed on foreign matches. The effect of levying this duty was quite apparent. Its products were sought throughout India with the result that the factory was able to sell its goods immediately at better rates before they were actually manufactured. Thus no amount was locked up in keeping stock which was the case before with the result that the factory felt an acute shortage of money. I am glad to say that owing to the present duty the financial standing of the factory has considerably improved.

19424. 57. No raw product necessary for this factory is exported from India to any other country.

58. The reply is in the negative.

19425. 59. The industry can certainly utilize the finished product such as Chlorate of Potash, Nitrates of Strointia and Baryta, Match Glue of any chemical manufacturing company which is or may be floated in India. It also consumes in large quantities blue Roll Papers and Craft papers and would certainly purchase these from India if the necessary quality is manufactured here. It is very likely that looking to the recent trade awakening in India, the company may succeed in purchasing the necessary materials from Indian manufacturing concerns.

19426. 60. I would prefer a system of protection according to the needs of a particular industry. I can for example, never believe that the requirements of a small and big concern will ever be the same. A big concern may successfully compete with the foreign articles up to a certain extent, while the small industry may require the state protection at every step without which it cannot be developed.

SUPPLEMENTARY STATEMENT.

19427. Our factory is working steadily and satisfactorily since about the last 25 years. As you are well aware, match manufacturing is an infant industry in India and it therefore requires all the paternal care of our benign Government. It is only due to various kinds of boons showered by the Japanese, Swedish, Austrian and other Governments on their match industries in the way of bounties, expert advice, provision of necessary materials, special minimum rates for transit both by land and sea that these concerns have not only held their own in their respective countries, but have also found an outlet for their goods in foreign markets of the world. Looking however, to the present industrial revival in India and the interest taken by our gracious Government in awakening same, we are encouraged to submit to you our chief grievance as regards the absolute necessity of regular supply of wood from the forests of our Presidency at special concession rates in the hope that you will lend us your helping hand by removing the obstacle. If you are now really anxious to see the match industry successful in India, you will have to provide following facilities for wood. Before asking for the facilities, we beg to bring to your kind notice the quality and quantity of wood required for match making. We have quoted the undermentioned passages from "The Indian Forest Memoirs, Part I, Volume II" by Mr. F. S. Troup, which you will kindly refer.

19428. Our factory works with peeling system which is the only method best adapted for India We quote below an extract from page 9 of the Indian Forest Memoirs, Volume II, Part I:

"Any method of match manufacturing which requires *seasoned wood* is unsuited for most part of India because many of the soft white woods become discoloured while dry seasoning in the log, or in large plank, and because such woods are extremely liable to the attack of boring insects if kept stored. For India, the peeling method of manufacture in which green wood is used is the most suitable one."

19429. The quality of the suitable wood for the peeling system is as under, *vide* page 24 of the Indian Forest Memoirs:

"The best woods for matches are soft, white, even, and straight grained. There are, however, many soft woods which are not even grained, and are yet suitable. For the peeling method of manufacture the wood should not be brittle."

19430. In the peeling process only green wood in the round is used, dry or partly converted wood being unsuitable. Hence the sooner it can be used after falling the better, and it should be transported with the bark on to prevent drying. If it cannot be obtained in regular supplies throughout the year, it may be stored in water for a few months and should on no account be kept dry for long.

19431. The wood dried, discoloured, liable to insect attacks, seasoned and decayed is not at all suitable for match making, as will appear from the extracts quoted below from pages 7, 24 and 29 of the Indian Forest Memoirs.

Extract from page 7:—

"The wood is used green, hence the trouble and risk of keeping wood in store for seasoning purpose is avoided. This is of great importance in a country like India where wood is liable to insect attacks if stored.

Extract from page 24:—

"Logs of soft pale coloured woods such as are used for match manufacture should on no account be kept stored in the dry state for any length of time as the wood becomes discoloured if seasoned in the logs. This is very noticeable in such woods as Bombax Malabaricum, Spondias Magnifera, Boswellia Serrata. Thus the suitable, green fresh cut wood is essential for match making."

19432. In order to secure wood of above suitable quality what arrangements should be done will appear from the extractiquoted below from page 30 of the Indian Forest Memoirs:

"As the methods of working the forest differ locally application for information on the point should be in the first place sent to the Conservator of Forests in whose circles the forests are situated. As many of the woods used for matches are of little use otherwise and as their removal is frequently a benefit to the forests, it will often be possible to arrange supplies of timber at cheap rates. It is probable that the Government will not be prepared to guarantee a regular annual supply, but the Forest officer will be willing to supply all information they have regarding the probable quantity of timber available and the manufacturer should satisfy himself that the supply is likely to be sufficient and regular. Having ascertained this, his best plan is to obtain one or more contractors to work out the timber for him and keep him supplied. Whether the contractor should be one of his own establishment or an outsider, it is for the match manufacturer to decide to his best advantage." The following are some of the chief points which the match manufacturer should note in arranging with a contractor for the supply of timber:—

(1) *Quantity of timber*:—"According to the capacity of the factory." The capacity of our factory is from one thousand to twelve hundred gross per day. What should be the best dimension of wood for matches is quoted below from page 25 of the Indian Forest Memoirs:

"The minimum and maximum girths of logs employed in the best modern peeling machines are 3 feet and 8 feet respectively, the best girth being 5 to 7 feet. These measurements do not include bark for which an extra 5 to 20 per cent. has to be added, according to the diameter of the log and the thickness of the bark."

If the Semul wood would be of 12" diameter, then nearly 4,000 trees, the wood of 18"diameter 2,500 trees, and for the wood of 2' diameter only 1,500 trees will be required annually for turning out 1,000 gross per day.

19433. Now if your good self will kindly cause an enquiry to be made of the Semul trees growing in Panch Mahals, Surat, Thana and other forests of the Presidency and find out the number of trees of 20" to 24" diameter, 18" to 20" diameter and 12" to 18" diameter, it will be very easy to know for how many years the wood of these trees would last for our use at the rate of 1,000 gross per day which is the capacity of our factory. If the present tree would last for ten years the other trees which are under 12" in diameter will be of suitable girth in the next 10 years. Thus at the end of twenty years those trees which are cut at present will be of suitable size, *i.e*, about 24" diameter as it will appear from the extract quoted below from page 32 of the Indian Forest Memoirs:

"In favourable localities Semul trees should reach this girth in 20 years, but in less favourable localities they may take as much as 30 years. As plantations should be formed only on areas suitable for the growth of the trees however we may assume that the exploitable age should never exceed 30 years and 25 years will be a fair general average to take. This presupposes good growth from the start. It is not yet known, however, if Semul plantations will in all localities start rapid growth immediately on formation."

From this it will appear that if the work is done on this system the suitable wood should be provided.

19434. *Regular delivery*:—It is important that the timber should be delivered regularly month by month. If there is a season during which timber cannot be extracted

arrangements should be made for the felling and extraction just before the season commences if an extra supply of timber is sufficient to last through the period ; this timber should be stored in water. In any case it is well to have a supply of water-stored timber in hand at any time to provide for emergencies such as illness among the woodcutters, etc. Such stock should be sufficient to last up to 2 or 3 months if local conditions require.

(5) Penalties should be provided for in the contract to ensure against loss through non-delivery.

19435. We therefore propose the following arrangements to be made :—

Out of the inferior kinds of trees, Boswellia Serrata, Bombax Malabaricum, Spondias Magnifera and Kakad (Garuga Pinnata) should be preserved for the Match factory and should not be allowed to be cut by the contractors as these woods are of no use to them. A reference to the following extract from the Indian Forest Memoirs, page 31, will convince your good self about preserving the present trees for match making and making a new plantation of them and also will show how other Governments take steps to maintain and support the Match industries :—

" It may perhaps be considered premature to refer to the subject of plantations of woods for match making considering that there are vast areas of natural forests in which these woods are never exploited ; at the same time it is quite conceivable that the pitch may come and certainly will come if India manufactures her own matches and secures a certain amount of export trade as well. This has been the case in Europe, for some time ago the German match manufacturers petitioned the Government to plant Aspen in the state forests for match manufacture, while a similar petition was also presented to their Government by the French manufacturers of matches. The Russian match manufacturers have asked their Government to take measures to check the export of match wood to foreign countries in order to ensure an adequate supply. "

19436. From the above paragraph of the Indian Forest Memoirs the fact is clear that even if the existing match wood trees may not be sufficient to furnish regular supply of wood for match making, steps must be taken to preserve small existing and newly growing trees as well as to make new plantations so that match factories may be assured of continuous supply of suitable trees in future. Of late, the forest officers have adopted a policy wherein they ask the contractors to make a clean cutting of these trees. It must be noted that the contractors while bidding at the auction of any coup do not at all take the value of match trees into consideration. On the contrary they calculate the expense involved in removing these useless trees which are in no way useful to them. So far as we are aware, the forest officers of Dang and Surat forests get rid of match trees by cutting and throwing them away.

19437. Till now, we were allowed to remove match wood from all the open coups of the forests. We however approached the Conservator of Forests who instead of granting us any chose to curtail same by restricting t only to advanced coups which contain one-tenth of the Semul trees of those of the open coups. How can we therefore hope to get our supplies of wood necessary to keep the factory working ?

From the above your good self will see what arrangements are necessary for the successful working of the match industry.

19438. The season for cutting wood has just commenced. Therefore the quantity of wood cut should be as much as to last up to the end of October or up to the middle of November.

19439. Therefore we most humbly and respectfully beg that if your honour desire the success and development of the match industry and the increase of the forest revenue from these so-called inferior trees the following arrangements should kindly be made to get the regular supply of suitable wood for the manufacture of matches :—

(1) Cutting should be allowed from the commencement of the new season up to the end of June.
(2) Simultaneous cutting and extraction of wood should be allowed from all the open coups of different ranges.
(3) The trees of Bombax Malabaricum, Spondias Magnifera, Boswellia Serrata and Garuga Pinnata should be preserved and not allowed to be cut by the contractors.
(4) The number of trees of 20" to 24", 18" to 20" and 12" to 18" should be furnished to us so that we may know how many trees will be required for our use and the arrangements may be made accordingly.
(5) New trees should be planted and the growth of old trees should be preserved so that in next 20 to 25 years they may be of suitable girth for our use.

19440. At present the duty of Re. 0-12-0 per gross is levied by our Government and by this duty the Indian matches will be able to drive out the foreign Japan matches from India in some years. These inferior trees will be more useful and valuable than firewood in future and will fetch more money to the forest department.

19441 If God be gracious to enter the hearts of our rulers and inspire them to help such infant industries as ours which are struggling hard to stand on their own legs with all the assistance in their power, they will certainly earn the perpetual gratitude by their ever-loving subjects. What boon is more tempting than this ?

Oral evidence of Mr. F. F. Munshi, representing Messrs. Gujarat Islam Match Manufacturing Company, Ahmedabad.

19442. *Sir Manakjee Dadabhoy.*—*Q.* You are the Secretary, Treasurer and Agent of the Gujarat Islam Match Manufacturing Company ?

A. Yes.

19443. *Q.* I should like to know at the outset whether you are going to give evidence in your individual capacity or for the company.

A. For the company.

19444. *Q.* You represent the views of your company ?

A. Yes.

19445. *Q.* How many match factories are there in your Presidency ?

A. At present there is only one match factory and that is ours.

19446. *Q.* Only one factory in the whole Presidency ?

A. Yes. There was one match factory in Bombay but it was ruined.

19447. *Q.* There are no private individuals in your Presidency turning out matches ?

A. No.

19448. *Q.* Yours is a joint stock company ?

A. Yes.

19449. *Q.* You will have no objection in telling us what the capital of your company is ?

A. Nominal capital Rs. 1,00,000 and subscribed capital Rs. 97,000.

19450. *Q.* When was this industry started ?

A. In 1895.

19451. *Q.* What vicissitudes of fortune has it undergone ? Had you good or bad times ?

A. Bad times, Sir. The factory suffered a loss of Rs. 83,000 from the beginning to 1900.

19452. *Q.* And from 1900 onwards ?

A. It commenced making some profits, Rs. 2,000-Rs. 3,000, in this way up to the last March when the duty was levied.

19453. *Q.* Do you mean the duty of 0-12-0 a gross ?

A. Yes.

19454. *Q.* Did you get any protection during the period of the war ?

A. No protection from the Government.

19455. *Q.* Did you not get indirect protection ?

A. When the rate was increased for foreign matches, we got some profit.

19456. *Q.* I have not been able to gather from your written statement whether the bad times you referred to were due to circumstances over which you had no control, I mean not getting sufficient match wood or chemicals at a reasonable cost, or whether they were due to the fact that the match industry was an experimental industry unsuitable to Indian conditions, and so on ?

A. Of course in the beginning the industry suffered owing to the inexperience and untrained labour, but the chief cause was the Japanese competition. Before our factory was started the rate of Japan was nearly 12 annas a gross, but when it was started, it was reduced to 8 annas. This fact was inquired into by the then Commissioner, Sir F S. Lilley, and he has touched on this matter in his book " Suggestion for better governing India." He also got a letter from Sir Tata at the time that the Japanese manufacturers would not leave any stone unturned to ruin this factory. This letter might be found in the Government file. I think that it was about 1902 or 1903.

When Sir F. S. Lilley was the Commissioner of the northern Division, then the Japanese rate was reduced and that was why many of the match factories in India failed. The factories in Bengal, Saharanpur, Ellichpur, Bombay, Dhulia, Belgaum,—all these failed, and only the Ahmedabad factory remained, because we introduced labour-saving machines and we had no highly paid manager or secretary. We got good match wood. We continued somehow. Of course our better time came with March last, when the 12 annas duty was imposed.

19457. *Q.* Your chief competitors are Japan, Sweden and Germany.

A. Germany only as far as the pyrotechnic matches are concerned.

19458. *Q.* I understand your chief difficulty is the difficulty of securing the right class of matchwood.

A. Yes.

19459. *Q.* I want to know where you get your matchwood.

A. From Panch Mahal.

19460 *Q.* Are there forests in Panch Mahal producing the right class of wood ?

A. Yes.

19461. *Q.* Are they private forests or Government forests ?

A. They are Government forests.

19462. *Q.* Do the Government allow you to remove the wood ?

A. In a limited area only. We have to go to Surat jungles and other jungles also.

19463. *Q.* You get almost all your supplies from the neighbouring forests ?

A. Yes.

19464. *Q.* Are your supplies adequate for the establishment of other factories in your neighbourhood ?

A. No.

19465. *Q.* Are these woods in the forests ample enough to enable other factories to be started, so that the output could be increased ?

A. No : not at present. Now they cut down all trees indiscriminately, but we require only wood of certain girth. If they allow the smaller trees to remain, then of course in course of time more than sufficient wood can be had.

19466. *Q.* Have you brought this matter to the notice of the Government Forest Department ?

A. I have sent an application.

19467. *Q.* And the Forest Department has not attended to your request ?

A. I have brought this matter to the notice of Governors and also sent petitions but no suitable arrangement is made for a proper supply.

19468. *Q.* You object to the method of cutting employed by the Forest Depar ment, as it is ruinous to your industry ?

A. Yes. Sir F. S. Lilley also objected to it.

19469. *Q.* Another poin is hat you require the Government to give you concession rates for these woods ?

A. Yes.

19470. *Q.* What rates do you want ?

A. Formerly they used to charge 2 annas and they charge 6 annas now.

19472. *Q.* But that is probably because labour wages have risen ?

A. No : we pay for the labour.

19473. *Q.* You want the royalty that you pay for the wood to be very, very small ?

A. What Government say is that they want all these inferior woods to be removed and teak to be planted. What I say is : " Never mind if you take more royalty, but preserve these woods."

19474. *Q.* In order to preserve your industry, you want these trees to be preserved ?

A. Yes. This subject is treated at length in the Forest Memoirs of Mr. Troup.

19475. *Q.* You recommend in your written statement that Government should retain the services of an expert adviser.

A Yes.

19476. *Q.* Do you think it would be fair to the ordinary tax-payer, when there is only one factory in your Presidency, that Government should engage the services of an expert ?

A. I think many other factories will be established and those plants which are lying idle would be in working order.

19477. *Q.* Can you not get any advice that you require from the Commerce Department ?

A. They have no experience of match factories.

19478. *Q.* Have they no expert in India ?

A. No. Some years ago Mr. Troup of the Forest Department asked me whether if an expert were brought from Europe it would be advantageous to our industry, and we said " Yes," but nothing has been heard after that. Japan did the same.

19479. *Q.* Then you want special railway rates ?

A. Yes.

19480. *Q.* You are getting the wood from almost the neighbourhood ?

A. I want railway rates for the transit of the manufactured matches. One case from Ahmedabad to Calcutta will cost Rs. 18.

19481. *Q.* What rates do they charge ?

A. They charge the highest rates.

19482. *Q.* Is it on account of the inflammatory nature of the material ?

A. Yes. They consider it is dangerous. But they charge special low rates from the ports,—the North-West Railway charges 2nd class rates, but the B., B. & C. I. charges fifth class rates.

19483. *Q.* You are not satisfied with the present duty : you want the duty to be doubled ?

A. Yes. Before you put down the 12 annas duty the price of Japanese matches was Rs. 2-2-0 per gross, but after the duty was imposed it is Re. 1-13-0.

19484. *Q.* What is your rate ?

A. I sell it at Re. 1-7-0.

19485. *Q.* And they are able to sell it at ?

A. Re. 1-13 and Re. 1-12 at Bombay. If you put down 12 annas more duty, the Japanese manufacturers will cut down their price and the steamers will lower their rates. When there was no duty the Japanese rate was Rs. 2 per gross. In last March a duty of 12 annas was imposed and the present rate is Re. 1-13. If you increase the duty the Japanese manufacturers will cut down their margin of profit and they will reduce their rates and the steamers also will reduce their freight charges. So the price will be reduced and the public will not lose. If a gross sold at Re. 1-12, the retail price would be 1 pice per box because ; if they sold at 2 pies there would be loss. If you increase the duty and a gross sold at Rs. 2-2-0, even then the retail price would be 1 pice per box, because there would still be a margin of profit to the retailer. It will not be sold at 4 pies on account of competition. But the difference that is left between would come to the Government.

19486. *Q.* What is your output ?

A. My output at present is 300 cases a month, and one case contains 50 gross.

19487. *Q.* There are only two or three factories in India and their combined output cannot be more than 400 to 500 cases a month. What is the value of the total quantity of imports ?

A. About 6 crores.

19488. *Q.* What is the value of your produce ?

A. About two lakhs.

19489. *Q.* The whole of the produce in India will not therefore be worth more than 6 lakhs. You say that this industry is necessary for national safety. When you are not at present in a position to produce more than 6 or 7 lakhs worth of matches all over India and when 6 crores worth is required, would it be fair to penalise the consumer to the extent of Re. 1-8-0 per gross. You would take years and years to supply all the requirements.

A. Why years and years ? I have got machinery to turn out 1,200 cases a month. There is sufficient wood in different parts of India which you can utilise. If you would not increase the duty then the industry would not develop. Japan by doubling the duty developed her industries and has stopped importation. France does not import ; Germany does not import.

19490. *Q.* Probably they are able to meet their requirements.

A. They developed their industries through protection and only then were they able to meet their requirements.

19491. *Q.* But in India indefinite protection will have to be extended at a considerable sacrifice to the consumer.

A. You will not take it from the pocket of the Indian consumer, but from the pockets of the Japanese manufacturer. The people in India would still pay only 1 pice per box for their matches.

19492. *Q.* I do not understand your argument about our taking it from the Japanese manufacturers.

A. When there was not this 12 annas duty, the people in India paid 1 pice for their match box, and after the duty was imposed they still continue to pay 1 pice only. If you double the duty, even though the price per gross may go up a little, still individual matches will be sold at 1 pice.

Mr. Rhodes.—The witness says that they should sell their matches either at one pice per box or 2 pice per box. If they could not get 2 pice, they must sell it at one pice.

19493. *Sir Manakjee Dadabhoy.*—*Q.* Then you say that there should be no import duty on the chemicals which you require for preparing your matches?

A. Yes.

19494. *Q.* But these chemicals are also used for the manufacture of other things?

A. Yes.

19495. *Q.* How could you differentiate between the chemicals imported for making matches and those imported for other purposes?

A. If the protective duty is put on, I am not keen on this point.

19496. *Q.* Would you be able to get a sufficient supply of wood for manufacturing all the 6 crores worth in India?

A. Yes. I can give you a book on this subject. This useless world would fetch money to the Government and people will get employment.

19497. *Mr. R. A. Mant.*—*Q.* What is the present duty on matches?

A. 12 annas per gross.

19498. *Q.* What is the value of matches per gross?

A. Re. 1-14.

19499. *Q.* That is 40 per cent. *ad valorem.* You want to have it doubled. That would be 80 per cent. *ad valorem.* You say that the Japanese Government doubled their duty. I want to know what their rate was?

A. I do not know. In Consular reports it is mentioned that the duty was doubled.

19500. *Q.* I am told that the present Japanese rate is 40 per cent. *ad valorem*, approximately the same as your present Indian rate which you want to be doubled.

A. (No answer.)

19501. *Mr. Rhodes.*—*Q.* What is the price at which you sell your own matches?

A. At present Re. 1-7 and Re. 1-8.

19502. *Q.* And the price of foreign matches?

A. They are selling at Re. 1-14.

19503. *Q.* Is not there a big margin for you?

A. But my wood is not so white and the people are accustomed to buy foreign matches which are showy.

19504. *Q.* Have you sent your matches to other parts of India, Calcutta and Madras?

A. One case from Ahmedabad to Calcutta will cost Rs. 15, nearly 5 annas per gross.

19505. *Q.* You can only sell round the factory?

A. Just now I do the same. I turn out 300 cases; my full capacity is 600 cases, but if I can get a market I can increase it to 1,000 cases. In Japan they have such large factories as can turn out 100 to 200 cases a day.

19506. *Q.* You say that the railway rates on your matches should be reduced. Is the case of your matches put with other cases in the railway truck or has it to travel alone?

A. The safety matches are despatched with piecegoods and other cases, but the pyrotechnic matches are despatched specially in iron wagons.

19507. *Q.* Have you a large quantity to send in full wagons?

A. There are different rates for full wagon loads and for small quantities.

19508. *Q.* With your outturn can you take advantage of the favourable rate for full wagon loads?

A. When I get large orders for a wagon load, I despatch by wagons, but when I get small orders I send in small quantities.

19509. *Q.* Have you generally to pay the higher rates?

A. When I get orders from Delhi, Amritsar and other distant places I get wagon load orders, but from other cities I get smaller ers.

19510. *Mr. Seshagiri Iyer.*—*Q.* Is the quality of your matches inferior to that of matches imported from Japan and Sweden?

A. In ignition and staying power of fire my matches are quite good. but they are not showy, because my labour is not trained and we have to get materials from outside.

19511. *Q.* Do they emit a smell which is somewhat unpleasant?

A. No smell. In ignition Japanese matches are inferior They become damp in the monsoon, and they are not therefore equal to Swedish matches.

19512. *Q* So, in staying power, ignition and smell your matches are quite good. But why do you sell your matches at a lower rate, Re. 1-7?

A. The country has not taken to my matches. My countrymen do not understand. They want showy things.

19513. *Q.* How can the Fiscal Commission help you if your countrymen are stupid?

A. If there is this double duty they will be obliged to buy my matches.

19514. *Q.* In March 1921 we imposed a duty of 12 annas per gross. I want you to compare the position of the poor cooly—I am not speaking of the man who buys by gross—in February 1921 and in April 1921. Has he not to pay more now?

A. No.

19515. *Q.* Are you quite sure?

A. Yes.

19516. *Q.* Suppose you double the duty. Would not the poor man have to pay more?

A. No. The Fiscal Commission has had the experience of this 12 annas duty. In 1920, when there was no duty, the Japanese matches were sold at Rs. 2-2, and the price of matches per box was 1 pice. After the duty was imposed the wholesale rate was reduced to Re. 1-14 and the price of matches per box is 1 pice. If you double the 12 annas duty, the price of matches per box would not go above 1 pice.

19517. *Q.* I take your position is that in consequence of the duty the Japanese would be obliged to bring to the market matches at a lower price and you would probably be induced necessarily to reduce your price, and therefore the consumer would benefit by both the variations?

A. If we double our capacity our labour cost will be reduced to something more than half, and a time may come when matches will be sold at 2 boxes for a pice.

19518. *Mr. Narottam Morarji.*—*Q.* How many men do you engage in your factory?

A. Nearly a hundred.

19519. *Q.* Is your company limited or private?

A. It is limited.

19520. *Q.* Have you paid dividends? You are making large profits, I suppose.

A. Formerly I used to pay 3 or 4 per cent., but last year I gave 12 per cent.

19521. *Q.* Is your machinery old or up-to-date?

A. My machinery is not up-to-date, because it was bought in 1896. New improvements have been made now. I have different processes. The wood is cut and the matches are passed through paraffin. Then composition has to be applied, and then they are emptied and filled in boxes. All these processes are done separately. In the new machinery, the wood is arranged and cut in one place: it is passed through paraffin, composition applied and emptied in the same machine: and then it goes to the filling machine.

19522. *Q.* If you get up-to-date machinery you can reduce your cost of production?

A. A very great deal.

19523. *Q.* Why did the Bombay factory fail?

A. On account of Japanese competition.

19524. *Q.* What wood did they use?

A. They got wood from other countries. Only recently a match factory with large capital was opened at Bareilly by Mr. Allen Cooper. He suffered a loss and the factory was closed.

19525. *Q.* Do you think that the Japanese manufacturers are getting a subsidy from the Government?

A. Yes, Sir.

19526. *Q.* Have you tried to import wood from foreign countries?

A. No. It won't pay.

19527. *Q.* Do you know anything about the match factory in Burma?

A. I have heard that at Rangoon or Burma one match factory as been started, but that it has suffered a loss.

19528. *Q.* You do not get those matches here?

A. No.

19529. *Q.* Can you tell us why the Japanese are able to make matches cheaper?

A. Because every facility is furnished by their Government,—wood furnished; special railway rates given; then pecuniary help.

19530. *Q.* Have you ever asked help from the Government?

A. Very often.

19531. *Q.* What replies did you get?

A. Of course "That will be considered."

19532. *Q.* After the 75 per cent. duty was levied are there new factories being started?

A. I think in Punjab, Bengal and different parts of India they are trying to start, but they are afraid of Japanese competition. I heard the other day that the

Japanese are intending to bring splints and empty boxes here and to apply the composition here—perhaps they will start it in Bombay—in order to avoid the duty. About the pyrotechnic matches, I might draw your attention to one thing. When no goods came from Germany, I sold 132,000 of these pyrotechnic boxes. Last year German matches were imported and my sale was reduced to 72,000.

19533. *Mr. Jamnadas Dwarkadas.*—*Q.* You said you made many representations to Government. When did you make your last representation?

A. In 1912-13.

19534. *Q.* You have not made any recently? You know that the Forest Department is under an Indian Minister now?

A. Yes. I saw the Minister and submitted an application to him, and that application was sent to the Forest authorities, and the Forest authorities said that they could not do anything in the matter. Formerly I was allowed to cut throughout the forest, but now I am allowed to cut only in special areas.

19535. *Q.* Do you know that the Forest Department is in the hands of the Indian Minister?

A. I knew that. I sent an application and saw the Minister and I also gave him a copy of the application. The application was sent to the Forest Department. The Forest authorities said that they could not do anything in the matter. On the contrary the concession was limited. Formerly I was allowed to cut throughout the forest. Now I am allowed to cut only in a special area whether there are sufficient trees or not. Therefore I am obliged to go to Native States.

19536. *Q.* You said to Mr. T. V. Seshagiri Aiyar that your matches are not used by the people because your countrymen do not understand it, and that if we put a duty they will have to buy.

A. Yes.

19537. *Q.* How do you think they will have to buy when prices of those matches will not go up at all.

A. Of course big cities like Bombay and Calcutta and even Ahmedabad may not buy, but they will be sold in the country parts.

The witness then withdrew.

Witness No. 126.

Written statement of Manu Subedar, Esquire, B.A., B. Sc. (Econ.), London, Barrister-at-Law, dated the 20th February 1922.

19538. I am a Protectionist. I advocate protection for India because Indian industries have been ruined by conjunction of protection adopted by foreign countries and free trade forced on India. Historically the policy of the Government of India is the result of the tradition of the East India Company. The East India Company came to India as traders, but as gradually the country came to be controlled more and more by the Parliament and ultimately governed by the British nation, India came to be regarded as a plantation for growing raw materials and as suitable market for disposing of manufactures. The professions of the British Government in the matter of encouraging Indian industries have been disingenuous. It is inconceivable that the Government that could speed up the production of munitions in England as quickly as they actually did could not have sustained from rapid decline and death the magnificent handicrafts of India or could not have established and encouraged modern industry of the factory type if they wanted to. Not only have the Government taken no steps for protection, but they have not even encouraged the purchase of locally-made goods. They have deliberately settled a policy of railway rates which any tyro could see was calculated to allow of minimum development. Their professions in the matter of purchases of stores from Indian manufactured goods appear to have been made merely to satisfy public opinion and evidently without any genuine intention of carrying them out. Notwithstanding the growth of a definite opinion amongst non-official Indian circles in the direction of a vigorous industrial policy, the Government have always evaded the question until they found that the appointment of an Industries Commission was necessary politically to placate the Moderate opinion of the country. Even when making that appointment the Government excluded from their consideration all questions of tariff. It will be readily agreed that the problem of the industry of a country cannot possibly be considered isolated by itself. Even the Industries Commission was not allowed to lay down definite lines as to the policy of stores purchase of this country. For that we had the mockery of the appointment of a separate committee. The expectations aroused from the report of this Committee have been dashed to the ground as the Government have decided to adopt the report made by the late Director-General of Stores in London and the present Director-General of Stores. The grievances in connection with the bearing of internal railway rates on inland industries was sympathetically considered and reported on by the Railway Committee, but we find no symptom of any action whatsoever being taken. The only action which is taken is one which will feed British industries with fresh orders at high prices. I cannot find any continuous and sustained action of the Government of India calculated to encourage industries on a large scale under the control of Indians. I regret to remark that even in framing the reference of this Commission there is more than one evident bias on the part of the authorities to obscure the issue and to confuse the mind of the witnesses in answering questions prepared in pursuance of that reference. I am puzzled whether I should regard this Commission as sitting as a National Commission in order to determine how the prosperity of this country as a whole could be safeguarded against alien attacks and exploitation, or whether it is sitting to decide how England will, as a matter of some little concession, permit the exploitation of this country to be faintly disguised by certain minor tinkering with the present tariff system. The questionnaire at least suggests that it is the intention of the Government through this Commission to secure not the first but the second object. The question of a tariff policy for India could be only decided after it is ascertained whether the industrial growth of this country is the objective of the Government. If that is the objective, several things will have to be done of which the imposition of an effective tariff is only one necessary prerequisite. All countries in the world,—not even excluding the United Kingdom,—have made use of this method and, situated as India is to-day, there is no other method possible. Nor is it possible to ignore that in the present conditions of India indirect mode of taxation is to be preferred though as a matter of fact it has to be adopted side by side with direct taxation. National reconstruction in so many directions will require large funds, and high protective tariffs as a source of revenue cannot therefore be ignored. It might be mentioned that the question of countervailing excise duty has arisen from the selfish exploitation of this country. The excise duty, as it has been levied in this country, had no scientific justification even for the satisfaction of the free trade theory, but was purely spiteful and an indication of a deliberate attempt to keep down the industries of this country.

19539. 2. The serious questions to be considered when establishing high protective tariffs in India are to what extent imported articles are used by industries as such. Here also there is a principle of discrimination. There are imported articles like machine tools, etc., which enter into the capital account of an enterprise. There are others which supply raw material and stores It is very desirable that all these articles should ultimately come to be manufactured in India, and it is not for us to foresee that large measure of industrial advancement when this country will again sit down and consider whether the time has not come for concentrating on certain industries more of the available labour and capital of the country and profitably importing from other countries certain articles. This is the stage in which Japan, the United States and Germany are finding themselves at present. India will, however, take a long time to reach that stage. All that need be considered therefore is whether the internal production of those articles of which industries themselves are large consumers should be encouraged by subsidies, or whether rebates and drawbacks should be given to imported articles when it is proved that they are used for industrial purposes. The exact line of demarcation must however be left to a permanent Commission, the establishment of which is suggested in answer to question 29. To leave machinery free is to retard the

establishment of the manufacture of machinery in this country permanently. This is the main reason why the manufacture of textile machinery, in particular of looms, has never been undertaken in India.

19540. 3. The other consideration in establishing protection is the question of internal readjustment. What are known as handicrafts came into question here, and in this connection it may be mentioned that under free trade or *quasi*-free trade policy, as at present, the handicrafts stand equally exposed. Their survival is at present altogether dependent upon their ability to compete on economic lines. If it is desirable that the stress of competition should not be felt all of a sudden so as to involve the wear and tear and the readjustment, the facilities granted at present by Co-operative Credit Societies should be supplemented by a system of subsidy on a graduated scale so as to disappear in a period of ten years. Even here the permanent Commission would discriminate between hand effort of an artistic and elegant character and the production by hand labour of articles of rough and coarse character. In the latter case the gradual extinction of hand labour is not likely to prove a national disadvantage.

19541. Apart from these two considerations it is my conviction that India has got practically every raw material that can be desired for all her normal requirements. I cannot think of any specific article which she must in the long run continue to import from abroad unless for the sake of logical completeness one mentions such things as the skins of Polar bears, whalebones, larger diamonds and silver in excess of the Indian production. I would therefore suggest protective duties on all manufactured articles imported into India. I anticipate as the effect thereof that there will be—

(*a*) reduced consumption of imported goods,
(*b*) a favourable balance of trade,
(*c*) easier money rates,
(*d*) a large revenue received by the State.
(*e*) exceptionally stout and persistent effort of industrialists to extend existing Works everywhere in India and to establish new Works.

With regard to (*e*) in order to secure this result I anticipate that the Government have in the meanwhile, apart from the protective tariff, taken necessary steps for—

(*A*) re-organization of the Industries Department on national lines,

(*B*) re-adjustment of railway rates and specific adjustment for special rates on the application of any industrialists who have made out the claim to the satisfaction of the Department,

(*C*) Standing Rule that purchases on Government account in all Departments including the Railways must take place in India by a Stores Department controlled by India in such a way that even if the prices paid are up to fifty per cent. in excess of the prices that may be quoted by any foreign supplier purchases will have to be made in India,

(*D*) special research and investigation,

(*E*) the establishment of Pioneer Factories by the Government in all lines in which private enterprise is not forthcoming after due advertisement. (Reference paragraphs 205-6 and 208-9 of the report of Industries Commission),

(*F*) the carrying out of the recommendations of the Industries Commission.

19542. 4. I will now examine in general terms the effect of a high duty on the various classes of articles coming into this country. The surplus, which the ordinary man in India has for expenditure on luxury articles is so small that the effect is not likely to be felt so far as the largest number of people resident in the country are concerned. And, for this purpose, I will not consider the acquisition of European habits or the mere imitation of them in matters of food, clothing and general life, as either an improvement in the civilisation of the country or as having beneficial effects on the people.

19543. 5. *Metals.—Iron and Steel.*—Before steel was made in India people were extremely sceptic about it. Now that it has been demonstrated that it can be made, the quantity of steel produced in India could be gradually increased. This rate of increase could be accelerated by a high protective tariff. The protective rate to be granted must be considered in consultation with the trade and in such a way that any excess profits over a certain percentage should be recovered by the State.

19544. 6. *Other Metals.—Copper.*—Though copper has been found, in various places in India, economic working of copper has not still been established. Copper as a metal would, therefore, have to be imported for a long time. In such importation copper ingot should therefore be left free and copper plates and wire should be subjected to a duty of not less than 20 per cent. so as to enable the rolling of copper sheets and the drawing of copper wire to be established forthwith in India. Other articles of copper should have to bear a rate at least double of this, *i.e.*, 40 per cent. In the case of other metals the scale could be worked out after examination on these lines.

19545. 7. *Tin* is at present exported by India and could be worked up here satisfactorily for all her purposes. Imports should therefore be taxed.

19546. 8. *Lead* is produced in India in sufficient quantities to satisfy all her demands. A moderate duty would do no harm.

19547. 9. I am not personally sure about the Zinc, but I understand appreciable quantities are being produced in Burma, and should these quantities be enough to cover the Indian requirements tariffs should be imposed after careful consultation on their export and on the import of corresponding material so as to secure the conditions for the establishment of the industry at home.

19548. 10. *Railway Plant and Rolling Stock.*—Transport is very important in the question of all industries and as a rule great care should be taken not to interfere with the development of railways. At the same time, the policy in the past has been most unsatisfactory. And instead of erring on that side I would suggest that the error, if at all, be made in the direction of restricting supplies to purchasers in India. Foreign manufacturers may be asked to put down their plants in India on certain conditions which would guarantee the taking up of their output for the next ten years. Urgent importations for railways all the same should continue from foreign countries. There should be an annual publication of all quantities, sizes, rates paid and parties from whom they are taken, so as to keep the leaders of Indian enterprise well informed on the subject. Special subsidy should be given for the production of things at home Purchases of railway plant and parts should be made in those countries which give special facility for technical students from India and which also give in the negotiations best advantage and preferential terms for goods which they import from India. It is scandalous that good sleepers for railways have continued to be imported in India to the extent of 32 to 40 lakhs of rupees every year before the War. This indicates that want of adjustment between the various departments of the Government themselves and of a disinclination on the part of the Government to utilise resources of the country for national good.

19549. 11. *Sugar.*— The 20 per cent. duty on the importation of foreign sugar is not enough. Apart from various measures required for the encouragement of sugar industry as recommended by the Sugar Committee the duty should be increased to at least 40 per cent. in the first instance. The result of this duty would be that certain proportion of the people, who are addicted to the use of imported white sugar, would revert to the use of brown Molasses. This is not in any way a disadvantage and the effects therefore of the increase of the sugar duty need not be contemplated with any serious anxiety. Articles containing sugar such as confectionery, which are imported from abroad, should be subjected to a duty of 150 per cent.

19550. 12. *Machinery and Mill Work.*—The question of machinery has been already treated in paragraph 2. The importation of machinery of all kinds should be controlled. If, however, for the sake of uniformity, a duty is levied it should be levied in conjunction with various other measures for direct encouragement of industry so that if the State recovers by a direct charge on industry any duty on machinery, it gives back directly to that very industry in some specific manner calculated to lessen their burden and to enable them to stand firmly on their feet. In the matter of machinery the development expected is that heavy casting and frames might be made in this country and select steel parts may be imported. The importation of spare parts of machinery is a serious topic in itself. On the one hand it is necessary to encourage the production of these spare parts at home. On the other hand, where the spare parts constitute items of steel or of any special metal the making of which in this country required specifications and is difficult, and where these parts are merely for he purposes of fitting up new machines on frames and made in India, special consideration has to be given. The discretion in the matter of the spare parts should be left with a distinct authority in each Province whose report on the specific importation from time to time should be carefully sifted by a central authority at the capital.

19551. 13. *Mineral Oils.*—The importation of mineral oil for consumption should be placed on minimum tariff. We have the curious phenomena at present of mineral oil being

exported from Burma in large quantities, whereas large quantities are imported in other parts of the country. This clearly indicates that there is something wrong with the freight system so that freights from Burma to ports in India are probably equal to the freight from foreign ports to Indian ports. I would recommend the Commission to investigate this very carefully and, if this is so, I would suggest the use of the discretionary increase of tariffs on special articles to which reference is made hereafter in answer to question 29. This might also indicate that foreign companies like the Standard Oil Company are taking advantage of the Indian market to dump down stuff in India at lower prices. If this is so, they should be combated on the principle for meeting dumping dealt hereafter.

19552. 14. *Vegetable Oil.*—On the importation of vegetable oil in India I would suggest a duty of 100 per cent. Oil seeds are produced in India in large quantities and we have a genuine surplus of them and the fact that the industry has not grown up is probably due to the difficulty of disposing of the cake on advantageous terms. It is also due to ruinous railway rates. Both these difficulties could be met provided sufficient protection is given to the oil industry. Whatever the general dictum of the Commission may be it is inconceivable that the case for vegetable oils could be ignored since it affects not only the industry, enterprise and profits of the country, but also the food of the people and the food of cattle and directly and indirectly the question of manure of the soil.

19553. 15. *Raw Silk.*—This should be allowed to be imported into India on the minimum tariff. The import of manufactures of silk into India should be submitted to the highest tariff that can be fixed for textile goods. Silk manufactures are pure luxury and they could be very well established in this country. The inconvenience caused to the consumer is in this case likely to affect less than one per cent. of the population and should be ignored. Silk thread imported from abroad should be subject to the middle tariff. (See para. on middle tariff, page 35.)

19554. 16. *Hardware.*—This forms a class more directly touching the consumer and it should therefore be subjected to the middle tariff (see page 35) so that while affording reasonable protection to industries it may not inconvenience the consumers directly.

19555. 17. *Provisions and Oilman's Stores.*—This class should, in my opinion, be subjected to a duty of 200 per cent. For one thing the Indian consumers of these articles can either afford them at the increased price, and if they are discouraged it will not be a national disadvantage. So far as the production of these articles at home is concerned all the necessary materials are available for the manufacture of biscuits, jams, preserved fruits, condensed milk, tinned sardines, etc.

19556. 18. *Wool.*—The import of raw wool in India should be free. The import of wool yarn and knitted wool should be on minimum tariff and manufactured wool should be subjected to a duty of 100 per cent.

19557. 19. *Liquors.*—I am in favour of the prohibition of the importation of liquor in India on moral grounds. This is one of those articles in which neither the question of revenue nor the question of industrial enterprise should be considered in national interests.

19558. 20. *Spices.*—The importation of spices, most of which are coming from Ceylon and other Asiatic countries, should be on the basis of minimum tariff.

19559. 21. *Instruments, apparatus, appliances and electrical, musical, scientific and philosophical photographs and other kinds.*—These should be placed on the middle tariff with the exception of musical instruments which should be taxed at 100 per cent.

19560. 22. *Paper and Pasteboard.*—The importation of paper and pasteboard should be put on the basis of minimum tariff provided that central pulp factories are established by the Government themselves at various places and there is a graduated subsidy calculated to end in ten years to the producers of paper locally.

19561. 23. *Dried Fruits and Vegetables* should be on minimum tariff. Fresh fruits and vegetables should be taxed at 100 per cent.

19562. 24. *Matches* should be rated at minimum tariff provided that a subsidy of 100 per cent. gradually diminishing to zero over a period of ten years is given for the production of local matches.

19563. 25. *Apparel.*—Gold and Silver thread should be on a minimum tariff and all other apparel should be at 100 per cent. since almost all of it is capable of being produced in this country to advantage. Imported apparel is only used by classes that are well off and this will not therefore touch the bulk of the population.

19564. 26. *Drugs and Medicines.*—Quinines imported on Government account and sold at the Post Offices will continue to be imported free of duty. Drugs and patent medicines should be taxed at 100 per cent. The case of camphor must be examined by itself and if the turpentine and resin industry of the Punjab can produce suitable quantities for this country a heavy duty would be justified.

19565. 27. *Chemicals* and intermediate produces needed for industry should continue to be imported on minimum tariff provided that a subsidy of 100 per cent. calculated to end in a period of ten years is given to local producers.

19566. 28. *Motor-cars and Motor-cycles.*—Complete motor-cars should be taxed at 100 per cent. but separate parts of motor-cars and motor-cycles and motor-wagons imported into this country should pay only 40 per cent. The assembling of cars would therefore be established in this country immediately and there is absolutely nothing to prevent this being done on advantageous terms.

19567. 29. *Cement.*—The importation of foreign cement should be allowed only on payment of a duty of not less than 100 per cent. The production of cement in India is on the increase but there are so many favourable deposits in so many places that there is no reason why a dozen other cement firms should not be established not only to satisfy all the demands of this country, but to spare their produce for purposes of export. The immediate effect of the increased price of cement would be to induce Indian capitalists to exploit mineral deposits and other useful materials found in so many places in India and start new Works. Building material such as bricks and tiles should be taxed at 100 per cent. Imported tiles are purely decorative and used only by a very small section of the public and the effect on the public consumers need not be therefore considered.

19568. 30. *Glass and Glass Ware.*—In my opinion the conditions for the establishment of glass industry in India are extremely favourable and with the exception of bangles there are very few articles which are used by the mass of population. A high duty therefore even up to 100 per cent. would be quite justified.

19569. 31. *Soap.*—This is an industry which could be established fourthwith in India. The materials and everything else are available. Soap should therefore be subjected to a duty of at least 100 per cent.

19570. 32. *Haberdashery and Millinery.*—These are practically luxury items and should bear a duty of 100 per cent.

19571. 33. *Wood and Timber.*—Indian trade statistics disclose the curious phenomena of a large importation of timber by India. This refers primarily to what is called Singapore teak. At the same time timber in various parts of India which is comparatively difficult of access has not been fully utilised. Foreign timber should be therefore subjected to a duty of at least 40 per cent.

19572. 34. *Coal, Coke and Petrol Fuel.*—The importation of coal in India should be subject to minimum tariff.

19573. 35. *Paints and Painters' materials.*—These should bear a duty of at least 100 per cent.

19574. 36. *Salt.*—Imported salt in India is an abomination. The salt industry of India could be easily pushed on simultaneously with other measures for the larger production of salt. A duty of at least 100 per cent. should be imposed on foreign salt.

19575. 37. *Tobacco.*—India produces large amount of tobacco which could be all worked up for local use. Imported tobacco is further a purely luxury articles. The production of cigarettes and high class cigars could be encouraged in this country. Duty therefore on imported cigarettes and cigars should be at least 250 per cent. and duty on imported tobacco should, however, bear the middle tariff.

19576. 38. *Dyes.*—Imported dyes could bear a very much larger per cent. than at present. The increase of the cost to the producers is likely to be negligible since dyes form very small part of the total cost of cloth or any other article. Dyes should be taxed at 100 per cent. simultaneously with measures for the pioneer factory in this direction.

19577. 39. *Rubber Goods.*—Raw rubber is produced in this country in enormous quantities. The importation of rubber goods in India is therefore the result of the exposed condition in which this country found itself. The Industries Commission in their Report, p. 49, Chapter IV, said that "although India exported raw rubber valued in 1917-18 at 162 lakhs, rubber manufacture has not been started in the country, and goods to the value of 116 lakhs were imported in 1917-18. This industry is one of those that are essential in the national interest and should be inaugurated, if

necessary, by special measures." Imported rubber goods should be taxed at 100 per cent.

19578. 40. *Boots and Shoes.*—The luxury class should be taxed at 100 per cent.

19579. 41. *Stationery.*—This can bear a high rate and should be taxed at least 100 per cent.

19580. 42. *Living Animals* should bear the minimum tariff except race-horses which should bear 100 per cent.

19581. 43. *Grain, Pulses and Flour* should be free.

19582. 44. *Printed Books* should be on the free list except that printing of text-books required for schools and colleges should not as a matter of national policy be allowed to take place abroad.

19583. 45. *Tea Chests* should be imported on minimum tariff, but a special subsidy should be given to local production.

19584. 46. *Earthenware and Porcelain* should bear a duty of at least 100 per cent.

19585. 47. *Belting for Machinery* should be governed by the same rule as mentioned in paragraph 2 (Introductory).

19586. 48. *Umbrellas and Fittings.*—A complete umbrella should bear a duty of 100 per cent., but parts thereof should be imported at 40 per cent.

19587. 49. *Cotton.*—The importation of raw cotton should bear the minimum tariff. Manufactures of cotton below 40*s* count should be taxed at 100 per cent. and about 40*s* count should also be taxed at 100 per cent. The consumption of cotton piece-goods below 40*s* count is being practically supplied from home production. The deficiency could be made up by over-time working of the existing factories and immediate extension thereof. This could be brought in existence in the course of a year. In the meanwhile the existing stocks of imported stuff would satisfy the needs. It is not therefore anticipated that there would be any very heavy rise of price to the consumer.

The class of consumer who uses finer articles above 40*s* count can afford to pay the increased price. The production of finer articles in this country should also be simultaneously stimulated and whereas the rise in the prices of finer articles should be very much more on account of this duty, the class which is expected to bear is very competent to pay it. The importation of yarn in India should bear the middle tariff.

19588. 50. *Shipping.*—Ships which have been built abroad should be taxed at 20 per cent. when they offer for registration in India. This 20 per cent. should form into a separate fund made available for the encouragement of shipping enterprise generally and for giving facilities to shipping companies. Ships not registered in Indian ports should be charged different rates for Dock dues, wharfage, etc. This scheme would induce foreign shipping companies to register in India and it would enable the State to control in national interest shipping not only for coasting purposes but for handling the import and export trade of the country.

19589. I shall now answer briefly the questions of the questionnaire.

Nos. 1-8. I favour a policy of protection for India. In deciding the financial system suitable to the country many considerations have to be taken into account. Every State must raise the revenue but in such a way that the cost of collection should be kept down as low as possible, that the private enterprise and activity of the people of the country should be interfered with as little as possible and should be favoured, promoted and facilitated consistent with the raising of the revenue necessary for the State. The use of customs tariff for raising revenue has in this way been made by those who administer the finances of almost every country in the world, and its use in India is bound to continue for a long time. Nor is there anything definitely to be objected to against such use except the danger of smuggling where the tariffs are high and the avoidance of direct realisation by the consumer of the levy by the State since the duties raised by the Customs enter into and are amalgamated with the price of the article. Tariffs are, therefore, to be imposed but not merely for revenue purposes. A revenue tariff can be protective and a protective tariff can yield revenue. Considering the numerous forces which govern the working of industry and which affect the economic life of people, the exact intentions of those who levy tariff are not always carried out. Nor is the effect always uniform in all directions or in all sections or in the case of all articles. The existing tariff system of India could be said to have little effect on the industries of India since the tariff is levied on all articles, only a few of which it is attempted to produce in India. In order to produce these few articles very many forces had to be got over in which the small rate of revenue tariff levied indiscriminately had little effect considering the generally unsympathetic attitude of the Government towards the industrial efforts of Indians referred to in the first part of the evidence. Nor can any one prognosticate any improvement in Indian industries from the continuance of the indiscriminate levy for the purposes of revenue accompanied in case of textile industry by an excise duty which is euphemistically called the "tariff policy" of India. The proof of this cruel neglect of Indian efforts is to be found in the imposition of the excise duty. It is understood that the manufacturers in India are paying towards the finances of the country by way of income-tax, super-tax, stamp duties and in the consumption of various articles which are indirectly and directly taxed, not to mention land revenue in so far as it is in excess of rent towards which the manufacturers of this country are also contributing. If the object of the excise is therefore to tax the manufacturers of India, it merely acts like a boomerang cutting the source of production. If the object, on the other hand, is to tax the consumers of the duty produced in this way, there too the method and manner of taxing is to be deprecated on economic grounds. If the object, on the other hand, is to favour foreign manufacturers under the guise of *pseudo*-economic theory as has been, in my opinion, the object of the Government of India in levying the excise on cotton goods, then it is hoped that this Commission will condemn it both in theory and in practice.

19590. 9-15. India produces such a large variety of the raw materials that it is with some effort that one can discover which articles it is physically impossible to manufacture in this country. Under a national Government consciously striving to make this country self-sufficient and industrially great I can conceive of India being absolutely independent of foreign supplies for most of the articles which are being imported at present. It is possible that on account of differential cost of production, there may be concentration of effort on the production of some articles, whose surplus may be exported on profitable terms, and there may be an importation of other articles. This stage of economic selection India has not reached and cannot reach until some years hence when the relative cost of production in this country for various articles can be ascertained under normal conditions. In the meanwhile I would advocate the establishment in this country of all industries in which the demand for Indian consumption alone is large enough to justify a factory of a size which would be considered a suitable economic unit. So far as the tariffs are to be used as one of the means of encouraging the establishment of these industries I would suggest the imposition straightway on all articles which are imported and not on any selected list. These articles have been dealt with separately in the first part of the evidence. But I would bear in my mind that in imposing a tariff on foreign goods, which it may not be possible to manufacture immediately or even in the next few years in this country, the idea is not merely to afford through such protection favourable conditions for the establishment of new industries but also to prevent the dissipation of the resources of the community on purchases of foreign stuff by making them dearer and by diverting such resources towards articles which are capable of being manufactured in the country. The principle of selection for special industries does not therefore arise, but I would repeat what I have said in the first part of the evidence, *viz.*, if the raw materials are available in the country and if the country affords the market for the articles, it would be enough ground in my mind for a protective tariff. In some cases material may be imported from abroad and merely assembled together and finished here. This is the easiest of the operations and should be encouraged immediately. In other cases, raw material can be improved to a certain extent before export. This, again, is the immediate first step and should be encouraged by means of tariffs. In other cases, the establishment of one or two central factories for the production of intermediate commodities, which are consumed by other industries, may be of great advantage. In this class enter sulphuric acid, machinery and all such industries as are called key industries. The apparent conflict before a tariff on an article pertaining to a key industry and the encouragement of the key industry is to be met, as I have referred to in the first part of the evidence, by direct contribution from the State by way of bounties and rebates. Thus the entire revenue received by the taxing of sulphuric acid imported from abroad should be set aside as a separate fund, which should be handed over to the manufacturers of sulphuric acid of the country by way of bounty. This to my mind is one of the most

effective means which would enable India within the next few years to be entirely independent of foreign supplies.

19591. In question 14 it is sought to make a distinction between industries which are likely to need assistance only for a few years and those which are likely to need assistance for ever. It is impossible at the present stage to mention industries which are likely to need assistance for ever. A very little thought would indicate that no industry can survive if it is economically unsound. According to the foreign critics of Indian economic life India is only fit for producting raw materials and therefore unfit for any industry without assistance. According to enthusiastic Indians India is fit to produce everything in the long run. The dispassionate Indian critic will realise that almost all industries need specific encouragement at the present moment in order to create an atmosphere in which business enterprise could be easily conducted. At the same time it is quite certain that this assistance need not be perpetual and with the robust self-confidence, which industrialists can have, when they feel that they have got the community behind them, the present mentality of depending on the Government for everything will be dissipated in a short time. The discrimination as to on which industry this country can economically concentrate on account of low differential costs can only be taken after ten years of sustained effort by a Commission appointed by a national Indian Government and not a mixed Commission like the present one sitting under the present unfavourable circumstances. It is part of the clearing up of the atmosphere that foreign articles, which are favoured by subsidies, bounties, transport concessions and in other ways, should not be allowed to enter India at all. Industry is a sort of warfare in which any advantage given to foreign manufacturers is a permanent harm to the interests of India. It is not therefore enough that protection should be afforded to Indian industries merely against dumping as such. All foreign importation in India at present is from the Indian standpoint dumping in the sense that it is favoured by their own national Government, by their own steamship services, by a vigorous Consular and other activity backed by their own national banks, by their own insurance companies, and in every respect to be regarded by the Indian standpoint as a militant trade. No Indian can feel safe in his venture so long as he is not protected against flagrant cases of dumping, even against the sort of trade which has been carried on during the last twenty years. The increase of such trade I do not regard as a symptom of prosperity or as a source of strength, but as an unmistakable sign of moribund and decayed condition and of increased deep-seated exploitation.

19592 16. This question puts the witness to the horns of a dilemma whether by the establishment of large industries of the factory type the handloom industries of this country will not be hurt. In so far as handloom industries afford employment to a very large number of people, any violent displacement of this is to be deprecated. But as a matter of fact they have been displaced and they have been allowed to be killed by the policy pursued by the Government of India in the past few years. If they are doomed to death,—and they must vanish,—I would rather that they vanished and were wiped out by the hands of Indians so that the larger wealth, larger technical skill, larger power of organisation and invention arising from the pursuit of large factory industries, should at least remain in the country. It is humiliating to think that the handicrafts of India should be killed not for the benefits of Indian factories, Indian employees and Indian enterprise, but for the benefit of foreigners.

19593. 17. The danger of combination from the imposition of a large protective tariff has been met effectively by various measures dealing with combinations in restraint of trade dealing with trusts, cartels and illicit competition, etc., and I have no doubt that the problem, when it arises, will be effectively dealt with by the Indian Legislature. I do not think this Commission ought to be influenced in their recommendation by any danger on this score.

19594. 18. The establishment by English and other foreign firms in this country of factories can only be regulated by a special law dealing with them. In dealing with this question I visualise in my mind the English firm manufacturing their articles in England and sending them down here. This situation, which has been encouraged by the Government of India until now, is very much worse than the situation of the establishment of local factories by the English firms. While I am therefore opposed to the exploitation of this country by the importation of goods manufactured from abroad under the present system, I would also keep a very careful watch over the establishment of British factories in this country. Laws regulating the establishment of manufacturing concerns by foreigners exist in all countries. There is no reason why they should not exist in this country. If this country is poor and must import Capital from abroad it is true that we must offer to the foreign capitalist not only absolute security for his assets, but a reasonable chance of making profits. Consistent with this I would regulate the investment of foreign capital in India, one of the methods being stricter conditions in the formation of joint-stock companies with the restriction that no company could be registered in India unless at least half the number of share-holders on its books are Indians. If the number of share-holders is like this, it also follows that the share-holders should have facility for electing Indian directors. This they could do if they were allowed to vote on the block system so that they could give all their votes to one individual whom they like. This would secure the presence of qualified Indian on the directorates and the association of these Indians would secure better confidence and harmony. In certain trades it may be desirable to impose further restrictions and to lay down that certain specified industries should not be allowed to be handled by foreigners at all. In such cases foreigners will seek alliance with Indian houses and will, if they choose, establish factories. It is assumed that neither English nor any foreigners have any acquired rights in the Indian markets and that no injustice will be done to them and no special favours can be allowed. Under these conditions foreign capital may be drawn or it may be scared away. These conditions are necessary to impose at present in order to explode the theory that India is an open land free for anybody to come and establish himself. The effect of such extreme and rigorous restrictions will be watched and those who administer the country will naturally have an opportunity of revising the rigour if they find that no further cause exists for such restrictions. I would also deprecate the establishment of foreign firms in India wherever they are likely to lead this country into diplomatic and political complications.

19595. 19. Under a protective system various problems are likely to arise and it is likely that the grant of protection to some manufacturers may be opposed by other industrial interests. In such cases the permanent Commission, which is suggested in answer to question 29, will hear the arguments on both sides and will then give decisions on national grounds as to the best course to be taken in national interests. If the tariff is scientific and worked out properly such cases are not likely to arise very frequently, and in any case the situation of everybody concerned would be very much better than the present chaotic condition in which all industries—those of raw material as well as those of intermediate and final products—stand equally exposed to ruthless foreign competition.

19596. 20-24. In asking these questions the word "consumer" is used very loosely and so is the word "prices." It is assumed that prices of all articles will rise uniformly and it is also assumed that the inconvenience to the consumer from the rise of such prices would also be a uniform burden. Such is, however, not the case. In the scheme of tariff suggested herein foodstuffs have been left free for import. Next to foodstuffs the requirements of the poorest class of population relate to clothing. The poorest class has been using largely locally made stuff, which has not been to any appreciable extent competing with any imported stuff until recently. Next to that the item of some importance is kerosene oil and matches. For these also in the scale suggested only a minimum tariff has been provided. Such kerosene oil as is produced inside the country including Burma could to some extent supply Indian wants, and the imposition of duty will give a tremendous impetus to the development of other oil areas which are found all along the North-West Frontier Province along the foot of Himalayas right up to Assam. It will, therefore, be noticed that whereas the growth of industry would take away surplus population from agricultural districts and thus raise the wages all round, the real hardship to consumers of this class will be very small from the scheme of tariffs suggested. When you exclude consumers of this class you exclude ninety per cent. of the population. I decline to admit that the rest of the people will also suffer so much as appears to be suggested in the questions. If they suffer any inconvenience out of an enforced transference of use from stuff produced abroad to stuff produced in this country, and if they are deprived of a few articles of foreign make, which are luxury articles, I think that the result would be all to the good. On the other hand, if they must use an article of foreign make, because it is prescribed by social custom or because it is not available in the country for a few years to come, they must be regarded as more competent to bear the additional burden than the

mass of the population. I have not seen anywhere in any publications of Government or in the public press or in any recondite works on this subject a definite case made out showing that prices will increase to the consumer, *i.e.*, that the bulk of the people of this country will have to bear any additional burden.

19597. The country must be prepared for an immediate rise of price of some imported material by the imposition of duty. Even in this case the imposition of duty would not be harmful as prices in Europe are falling and for the last three or four years people have been used to higher prices and the burden will not be exactly the same if it was in Europe at a time of rising prices. A reasonable expectation of the continuance of the tariff must bring into the field enterprising businessmen of all classes, who will re-examine the situation and find suitable fields of activities in the first instance as pointed out in answer to questions 9 to 15 for finishing the articles or for assembling them in this country, or for making as many operations in this country on imported material as are possible in order to evade the duty. This would be the natural line of advance, this is what is expected and this is what the Government should seek. So long as competitive conditions of protection inside the country obtain, it is not expected that the rise of prices should be permanent. For all articles are affected by more causes than merely the question of tariff, and whether this country should ultimately groan under heavy prices depends on numerous factors such as the issue of uncovered currency notes, lavish and indiscriminate outlay by the various public departments of the Government, the use of the country's financial resources for propping of financial interests in London through the transference of funds by the Secretary of State and by the Imperial Bank of India so as to cause artificial stringency in this country, and artificially high money rates, uneconomical and heavy charges of freight, uneconomical and direct taxation of manufacturing concerns, etc. Before all these forces, which in my opinion have a much greater bearing on the course of prices in this country, the anticipated increase of prices on account of the duties suggested in the accompanying schedule is of comparatively little importance.

19598. In the matter of question 24 I am emphatically of opinion that the imposition of the tariffs suggested is likely to bring about an improvement in the scale of wages and an enormous improvement in the field of employment which will beneficially react on the industrial wage-earner, the agricultural wage-earner and the middle classes. Any slight indirect effect on the cost of living will be therefore more than met by this improvement.

19599. 25. The imposition of tariffs on the line suggested for the purpose of protecting Indian industries is likely to strengthen the position of this country enormously in the matter of general trade. It will lead in the first instance to the checking of foreign importation and therefore to the immediate improvement of the balance of trade in favour of this country. It will strengthen therefore the money position of the country and conserve the resources of the country for use inside. These resources would be directly towards industry and would bear good fruit. So far as the future economic life of the country is concerned the impetus to industry will result in better utilisation of the products of this country inside. In practice it will work out in the form of an extended and ready market where the agriculturist could sell his output easily. It will therefore improve the prices, which the agriculturist will receive, by eliminating many middlemen who are at present fattening on the export trade of India. The other consequences, which I see very clearly of this policy, would be immediately to reduce the amount of sea transport and therefore by competition of the shipping companies to secure a reduction of freight, to secure also favourable conditions of insurance and more anxious and attentive enquiries for Indian goods by those who are handling them at present abroad. Greater consideration would be given to India by the financial interests in London, New York and Yokohama than they are receiving at present. The world can only respect India and offer reciprocal terms when India has definitely set her own house in order. On account of the check on imports referred to above those who are engaged in trade with the Indian market at present would by competition amongst themselves offer some articles at a cheaper price in order not to be done out of the business altogether and to that extent a portion of the duty would be transferred to the foreign manufacturers, a portion of it would be transferred to the steamship companies and a very much smaller portion would be borne by all the intermediary middlemen, factors distributors, banks and insurance companies who are engaged in the trade with India.

19600. 26-28. In constructing a proper tariff scheme for India I would put bigger stress on the reaction on the life and activity of the people of India. This is of primary importance. The question of bargaining with other countries is of secondary importance. This bargaining has to be worked out in a commercial spirit If a concession is worth the same to us as it is to the other country which gives it, a concession may be made, but I cannot imagine under ordinary circumstances that any countries can give us any concession worth seriously considering since the bulk of the exports of India comprise unmanufactured raw products which are wanted for their own factories and foodstuff. The stage of real bargaining will be reached when we are in a position to send partly manufactured or very much improved raw material over which certain amount of useful labour has been devoted in this country, owing to which the price of the material has been considerably improved in favour of the Indian producer. These are, however, matters which will come up for consideration and will be judged on their own merit by the Permanent Tariff Commission suggested in answer to question 29 hereafter and the political issues of which will be ultimately considered by a Standing Committee of the Legislative Assembly. The stage of reciprocal trade agreements one cannot contemplate until this country is politically self-governing, and personally I do not think this Commission, when making its recommendation, should enter into political grounds at all.

19601. 29. A permanent organisation for the examination of claims of various industries by the method and the scales of tariffs levied and the classification of goods for the purpose of the tariff should be formed consisting of three Indians, two of whom must be non-officials. There should be a full-time Secretary of the Commission who would ordinarily elicit opinions by correspondence and the Commission should meet once every two months either in Bombay or in Calcutta, or more frequently if necessary The recommendations of the Commission should be accepted by Government and could only be vetoed by the Legislative Assembly.

19602. 30 to 34 and 61 to 69. Looking to the question framed for the Commission it is obvious that a very subtle attempt is being made to bring forth from the mouth of Indian witnesses the necessity of leaving the exports of India absolutely free. Questions have been put in such a manner as to elicit the statement that export duty in the interests of local manufacturers are to be condemned. Without going to specific issues at the moment let it be said very clearly as a fundamental principle that in any scheme for the protection and promotion of national industries, exports should be treated not as an isolated item, but as an integral part of the general plan. Every answer therefore given on specific issues should be governed by this general consideration as to the manner and extent of national requirements for industries established in this country.

19603. The decision from the country's standpoint in the matter of export should be governed by two factors. The first is of interest to exporters themselves, *viz.*, some manipulation and some little improvement in the exported commodity by which a certain amount of Indian labour is engaged locally and the resultant commodity increases in value very much more than the labour devoted here. Thus, instead of exporting paddy it is better for India to export rice and it is better for the Government to encourage by every possible means the production of rice, so that while the exports continue, the commodity exported has been improved by the devotion of Indian labour and capital. It involves very small loss on the handling in the matter of freight, etc. It brings a much larger return to the agriculturists by the establishment of numerous factories which compete for the product locally. It involves national safety since if at any stage a larger quantity is required for local use it could be immediately diverted without any dislocation. The same consideration may be urged in regard to hides, mineral and other metallic ores, oil seeds, etc. Several foreign countries are imposing at present duties on rice while they are allowing free import of paddy. The same remarks apply to other duties. Not merely as a retaliation to this but in order to encourage the initial working up of material in this country as far as possible export duties should be levied on absolutely prime raw stuff; and if they are levied all round, they should be much bigger on such stuff than on commodities on which a certain amount of Indian labour has already been devoted. As an illustration of other items, which will do no harm to the country, is the gold ore produced in this country. It is essential that a refinery should be set up in India and that can only be set up if the producers of gold ore find it to their own advantage. What could be more wasteful than the export

of gold ore from this country and the importation of refined gold unless it were deliberately done to feed the banks, insurance companies, steamship companies and the middlemen? Similarly with regard to myrobalans exported from this country, when by a very simple process it could be prepared into Tannin and sent forth in very small bulk it is absurd to suggest that the producers of this article would suffer by this article being worked up in India. It would be a more correct representation of the situation to say that the producers of these articles are suffering at present mainly on account of the comparative absence of competition in the sale and handling of their products in foreign countries.

19604. The other main consideration in support of exports is absolute freedom, without any sort of preference, to sell in the best market. Imperial Preference, which in the matter of export duties does not secure any good to the country, will only mean loss to the revenues of this country. What is there to prevent the consignment destined from here apparently for United Kingdom being either diverted on the way or transhipped and sent to Belgium? Besides, the export trade to the United Kingdom is very much smaller than the import trade, and that to the self-governing colonies is practically negligible. Any complication in the tariff system of India as regards exports on the plea of Imperial Preference must be condemned. The Government of India have in a very objectionable manner imposed export duty on hides with a big preference in favour of the Empire with the result that English buyers in the Indian market have the pick of the market and the American and other customers of India are unnecessarily penalised. So long as India has not got her own national shipping the best thing that can happen is to have several competing steamship lines and any preference to the consignments going to English ports *ipso facto* discourages competition in shipping which is bad for this country. If prices of commodities exported by India fall in foreign countries, who bears the brunt? The Indian producers in all cases, instead of the shipping companies bearing a portion of it. English lines enjoying mail and other subsidies would take away to foreign ports Indian stuff which is required for Indian consumption. We have actually had the phenomena of cheaper rates from an Indian port to the United Kingdom than between an Indian port and an Indian port. The best method to avoid this sort of strangling of the Indian producer's interests is to work out a consistent national policy and to adhere to it so as to avoid all complications about Imperial Preference and to let Indian produce be sold in the best market at the best price and to encourage competition amongst foreign shipping companies.

19605. There should be no export duties in case of manufactured articles, and partly manufactured articles must invariably bear smaller rate of export duties than raw produce. As soon as industrial establishments in India grow so as to absorb the bulk of the Indian produce the export of prime raw produce should be strictly prohibited. Such a situation is likely to arise only after some years. In the meanwhile the system should be worked solely in the interest of this country and neither directly nor indirectly in the interests of middlemen, brokers, insurance companies, shipping companies and exporting firms and agents who are growing fat on the export trade of India arising out of the exhausting labour and toil of the inhabitants of this country.

Imperial Preference.

19606. 35-42. The suggestion for Imperial Preference for India is to be condemned as mischievous and objectionable. On economic grounds the only colony with which India is so thoroughly linked as to form part of one single economic system is Ceylon. For the rest the stage of economic development, the economic outlook, the resources, the average income per head, the main articles of consumption, are all different in the case of India from those of the other colonies and the United Kingdom. India's export trade with the Empire is comparatively small and, omitting the United Kingdom, her exports to the colonies are negligible. Nor has it been demonstrated anywhere that the export trade with the United Kingdom and the colonies yields particularly large profits to the Indian producers and must therefore be encouraged. India is exporting raw materials and food articles and she does not want to give any special inducement to outsiders to purchase these. In the case of imports in India, the share of the United Kingdom is very large, but here also the trade with the colonies is practically *nil* if such countries on the Indian Ocean as Ceylon, Singapore and East Africa were omitted from the rest. In the case of the United Kingdom the trade with India has been built up partly on the special facilities given by the Government of India, English banks, English shipping companies, English insurance companies, port and customs officers in British India, etc. The conservative British manufacture has seldom taken care to study the Indian market as thoroughly as, for example, Germans and the Japanese have done, and there is no particular economic object to be gained by giving protection to imports from the United Kingdom. Nor has the United Kingdom anything to give us in return in the way of tariff concessions. The only articles in which the British Government can give a large concession to Indian produce is tea, and notwithstanding the fact that tea is produced in India to a very large extent by tea companies managed by Englishmen, English statesmen have hesitated to penalise Chinese tea lest China should hit them by some retaliation. Nor have the advocates of Imperial Preference ever demonstrated any other specific economic advantage by grant of preference on imports from the rest of the colonies. The colonies with which India should have reciprocal trade arrangements likely to do good to both parties, are Ceylon, Straits Settlements and East Africa.

19607. When the agitation for Imperial Preference was rampant in the United Kingdom 18 years ago the Government of India had been asked to consider to what extent Imperial Preference could be adopted by India without any loss. Their decision at that time was based on facts which have not materially altered since those days except that some of the older customers of India's produce have become weaker and that is all the more reason why they should not be penalised in purchasing Indian material in competition with the United Kingdom and her colonies. On the other hand having depreciated currencies not likely to be restored to their old basis for some years to come, India has an advantage in purchasing from them, which also it would be most unwise to yield up in deference to fantastic and altogether untenable scheme such as Imperial Preference.

19608. I do not consider it the province of the Commission to enter into high political issues in recommendation or otherwise of the Imperial Preference, but from the questionnaire it appears that they will be digressing into that field. In that case, I will indicate briefly the political considerations bearing on the problem of Imperial Preference. For that purpose we must separate immediately the United Kingdom from her self-governing colonies. With the self-governing colonies of the United Kingdom there can never be any amicable political settlement or friendship The manner in which Indians have been treated in these colonies either as of the labour class or of any other class has all along been an object of legitimate complaint. If India had been a free country, guiding her policy on national lines, she would have gone to war with South Africa long ago. The immigration laws and the various indignities involved in the recruiting, the subsequent maintenance, the segregation, prohibitions of the use of public utilities, holding of land, etc., have all indicated race arrogance and inimical spirit against Indians for which the least that can be done is to cut off all trade negotiations or relations with those countries. It is humiliating to think that people of the colonies can compete in the Indian Civil Service and actually come and administer this country; they can come here as traders or as workers without any restrictions, they can hold property in this country and enjoy not only all the ordinary rights, but in criminal law and procedure even superior rights to the people of this country. With the colonies, therefore, neither on economic grounds nor on political grounds will Imperial Preference be ever considered. In the case of the United Kingdom the political grounds for giving favourable treatment cannot be profitably discussed in this place since with the United Kingdom there are so many outstanding political questions to settle of one kind or another, that the granting or withholding of favourable treatment must be part of the entire bargain which may ultimately come to be settled with them. *Primâ facie* and on its own merits there is no plea whatsoever for Imperial Preference and it would be a cruel injury to this country if the Commissioners will, through any false sense of propriety or through any other considerations whatsoever, recommend this system, or if England uses her superior political might to enforce a system opposed to the vital interests of the country.

19609. 43-60. I have been interested in the past in the textile industry, having been associated with the management of two of the largest textile concerns in Bombay. I am now interested in rubber manufacturing industry as the head of a firm of managing agents controlling a rubber manufacturing concern.

19610. As regards question 45 as to whether this industry is essential to national security or of sufficient importance to the economic prosperity of India I shall quote the words of

the Indian Industries Commission which are: "although India exported raw rubber valued in 1917-18 at 162 lakhs, rubber manufacture has not been started in the country, and goods to the value of 116 lakhs were imported in 1917-18. *This industry is one of those that are essential in the national interest and should be inaugurated, if necessary, by special measures.*" I consider that there are enormous natural advantages for the establishment of this industry in India. Not only the raw materials, but most of the chemicals required are produced in this country. There is a very large market in India, the volume of which is not ordinarily judged by any critic, who merely dips into the trade figures since the classification of the departments of statistics and commercial intelligence does not proceed on the basis of the raw materials used or the processes, but deals with them more as articles of consumption. Thus rubber goods are more or less received under the figures appearing as apparel, engineering stores, telephone, telegraph and postal equipment and stores, electrical material and equipment, stationery, motor car and motor cycle trade, equipment for paper manufacturers, aerated water manufacturers, printing trade, chemists and druggists and sundries, surgicals, hospital stores, etc. There is at present no other factory to my knowledge working in India, but I know of two factories projected besides one at Bombay. The Indian market alone as described above is capable of absorbing the output of several factories, and goods imported at present come mainly from the United Kingdom, the United States, Italy and Japan. With reference to question 49, the United Kingdom has an advantage in the sense that most of the material required for railway purposes—and this runs into an enormous quantity—is purchased exclusively in the United Kingdom without any reference to competitive prices or alternative sources of supply.

19611. 50. It is not a fair question to ask with regard to the rubber industry in India. I am not only morally convinced, but I am satisfied that with such data as have been got the industry can grow in India and can reflect on the prosperity of this country. This handicap, which the industry has at present, arises from the increased cost of equipment on account of the additional freight handling, etc., and increased overhead expenses on account of the necessity for importing technical men from abroad. Protection should be therefore granted sufficient to cover these two items. There is also the question of dumping which is very much larger in the case of rubber goods than in most other industries. More protection should be wanted for these items in which very much higher technical skill and very much more use of machinery enter. Protection is also wanted in order to enable concerns in India to reach that stage of mass production by which production costs could be lowered. This cannot be done by businessmen as a mere item of enterprise until they can be reasonably certain that Government's general attitude towards this industry is changed on lines mentioned by me. I think within ten years this country can be entirely independent of all outside supply in the case of rubber goods, and I think, other conditions being favourable, it can also be expected to reach a stage of maturity when on special grounds protection can be dispensed with. The extent to which rubber goods enter into other industries is indicated above in the enumeration of the articles. The establishment of this industry is likely to be benefited by the promotion in this country of chemical industries generally.

19612. 78. The administration of customs at present in India is more or less primitive. It was conceived to meet the requirements until now and had the merit of being less costly. If a tariff policy is based on scientific principle with due regard to all the considerations arising, which have been already dealt with, a much more efficient organisation will have to be provided. If the rate of tariff is different on different articles, as it must be, the classification of goods and their exact definition as well as the machinery cases which are on the border so as to despatch the work quickly and with the least inconvenience to the public would have to be secured. The system of levying specific duty is to be condemned, in so far as it is more favourable to a better article of the same species than to an inferior one. A system of *ad valorem* duties is to be preferred, but even here there is the problem as to whether the tariffs should be based on the invoice value *plus* freight, etc. Since the general level of duties as suggested herein is likely to be very much higher than now, attempts may be made at evasion and preparations should be therefore made in advance. The United States of America have recently adopted the method of levying duty on the wholesale market rate ruling in America on the day of the import. This the Americans have done more or less out of a desire for self-production since the object of the American duties has been to prevent foreign goods from unduly competing in the local market. If the object of the Indian duties is also that, then this principle would have to be adopted. I would illustrate my meaning by taking the case of cement. There are half a dozen manufactures of cement in India and there is a likelihood of some more which are being established. In times of comparative depression, where building operations are at a standstill, cement is likely to be a drug on the Indian market. A duty of therefore 10, 20 or 45 per cent. on imported cement may not actually meet the situation. Even with 40 per cent. duty Japanese or Belgium cheap cement is offered in Bombay at prices lower than the prices at which some of the leading cement manufacturers of India wish to sell. I suggest that if duties are levied on the wholesale value of the article inside the country, then the foreign articles can under no circumstances unfairly compete or lead to the liquidation or winding up of concerns working in India. Even with a 40 per cent. duty, if foreign cement was landed in India and was made available about Rs. 50 a ton, for some at least of the cement companies in India it would be a difficult situation. I can readily conceive of cement being landed at this rate if the exchange was in India's favour and at the arbitrary rate of two shillings in gold, to secure which the Government have squandered several crores of rupees of the accumulated resources of the country. I should therefore suggest that the rate of duty on imported articles, whenever such articles are produced in India, should be on the wholesale market value of the day on which the goods are landed.

19613. The scientific tariff suggested by me above would be in the case of minimum tariff 20 per cent., middle tariff 40 per cent. and maximum tariff 100 per cent. and over. The class of articles on which these tariffs should be levied has been indicated in the preliminary memorandum. The question of classification would have to be very carefully worked out by the permanent Commission suggested in answer to question 29. I would also recommend a scheme of bonded warehouses in which imported stuff can be retained pending payment of duty. This is very necessary and would give great facilities to the trading community, who would be able to deal with their banks on the strength of the bond certificates. It would obviate to a certain extent the charges at present borne by merchants by way of demurrage and would offer greater facilities to the customs authorities to examine articles liable to duty.

Witness No. 126.

Oral evidence of Mr. Manu Subedar.

19614. *President.*—Mr. Subedar, the members of the Commission have drawn my attention to two passages appearing in your statement which according to them reflect on the integrity of the Commission itself.

A. I should be glad to know which are the passages referred to.

19615. *Q.* I will read them so that you may offer such explanation as you may have or you may withdraw them.

A. Certainly.

19616. *Q.* The first passage is on page 2. It reads as follows:—'I am puzzled whether I should regard this Commission as sitting as a National Commission in order to determine how the prosperity of this country as a whole could be safeguarded against alien attacks and exploitation or whether it is sitting to decide how England will, as a matter of some little concession, permit the exploitation of this country to be faintly disguised by certain minor tinkering with the present tariff system. The questionnaire at least suggests that it is the intention of the Government through this Commission to secure not the first, but the second object.' Your criticism of the fiscal policy is not objected to, but it is your reflection on the integrity of the Commission. Then in answer to questions Nos. 30 to 34 and 61 to 69 you say: 'Looking at the question framed for the Commission it is obvious that a very subtle attempt is being made to bring forth from the mouth of Indian

witnesses the necessity of leaving the exports of India absolutely free. Questions have been put in such a manner as to elicit the statement that export duty in the interests of local manufacturers are to be condemned.' Now the questionnaire has been framed by the Commission and this is a direct reflection on their *bonâ fides*.

A. If you will allow me, Sir, I will say with reference to these paragraphs that with regard to the personnel of the Commission I will express my absolute faith in their integrity. The members of the Commission are all decent and honourable men wishing to make to the best of their ability a report on the tariff policy of the country. Then with regard to the terms of reference of the Government, my objection to the terms of reference which the Government have framed is outside the scope of this Commission.

19617. *Q.* May I draw your attention to the fact that you have criticised the reference in the passage immediately preceding that which I read out to you. You say 'I regret to remark that even in framing the reference of this Commission there is more than one evident bias on the part of the authorities to obscure the issue and to confuse the mind of the witnesses in answering questions prepared in pursuance of that reference.' That is your criticism of the reference. We are not taking exception to that. But in these two passages, I do not think there can be any doubt as to the interpretation which the Commission put upon them, that it is a direct reflection upon them. I don't think you would have intended that and so I hope you will withdraw those passages.

A. Certainly. May I say that I should like to have this sentence of mine namely 'I regret ..... reference' on record in the statement?

19618. *Q.* We have got it and we are going to examine you on that.

A. In so far as the questionnaire is based on the reference, I have objection to certain questions, to the form of certain questions which I have indicated, but I will say that in writing these things there was no intention on my part to cast any reflection on the integrity of the Commission as a whole. If the Commission reads any reflection in the passages I have no objection to withdraw them.

19619. *Q.* Then you withdraw?

A. Yes.

19620. *Q.* Now coming to the first paragraph of your statement, you say 'They' (I think with reference to Government) 'have deliberately settled a policy of railway rates which any tyro could see was calculated to allow of minimum development.' Will you please explain what you mean by that?

A. The policy of railway rates which has been fixed in the past has been dictated by the interests of the export trade of this country, in the interests very largely of the foreigners. The other point about this policy must have been to secure as much revenue as possible.

19621. *Q.* You know Government claim that they were working railways on a commercial basis.

A. They were making a loss until 1899.

19622. *Q.* That is the initial stage of the commercial development.

A. My point about the rates interfering with industry is this. The rates have been fixed on raw products in such a way as to allow of their carrying to the ports being facilitated. Thus, for example, oil seeds are rated from any interior place to the ports at a very low rate and if the same oil seeds were crushed and the oil and the oilcake separated inland the same weight of materials namely the oil and the crushed cake would not reach the port for the same freight. The result is that if a man wanted to have an oil crushing plant erected, he will have to put it down at the port where land is dear, labour is dear and where all the other conditions of industry are comparatively dearer. That is what I mean when I say that railway rates have been framed more with a view to revenue and to a certain extent with a view to protect the vested trade interests of the English exporting firms than with a view to encourage the industry of this country particularly industry which can be worked in inland places.

19623. *Q.* Then your view is that the railway policy should not be based on a commercial basis and should be subordinated to the development of industries in India?

A. Yes, Sir. The rates should be so regulated as to help the manufacture of materials in India itself rather than the export of raw materials and the import of manufactured goods. I think the railways of any country are a great economic asset which should be directed towards increasing the prosperity of that country, and by increasing the prosperity of that country I mean that as much labour of the country should be directed for productive purposes as possible. I therefore come to the conclusion that railways in India should be used as they have been used in other countries in the world in facilitating and encouraging the industrial efforts controlled and managed by Indians and located at suitable places inland where the materials are available, and where the markets are near at hand.

19624. *Q.* Would you advocate that policy irrespective of the effect that such a policy would produce on the railway revenues?

A. I should view the question as one of the industrial growth of the country. If the Government really drop a certain amount of money on railwayr evenue, they are likely to make a larger amount of money by the higher tariffs which I am suggesting later on. Even if they drop a lot of railway revenue, (I don't believe they will do) but if they do drop a lot of revenue on railways in their attempt to encourage industry, then I think it is their duty to do so, and I am sorry they have failed to do so in the past.

19625. *Q.* Then you would subordinate the railway policy to the development of industries in India?

A. Yes.

19626. *Q.* Then, you remark 'I regret to remark that even in framing the reference of this Commission there is more than one evident bias on the part of the authorities to obscure the issue and to confuse the mind of the witnesses in answering questions prepared in pursuance of that reference.' 'Will you please tell me what you mean by that'?

A. I regard the reference to this Commission as very defective in so far as this Commission is asked 'to examine with reference to all interests concerned the tariff policy of the Government of India including the question of the desirability of adopting the principle of Imperial Preference and to make recommendations.' In the first instance the suggestion that the system of Imperial Preference should be examined by the Commission should not have been made. The question has been examined in the past and has been summarily rejected. The entire Indian opinion in the country has constantly and on more than one platform expressed itself decidedly against that. A year or two ago when a small committee was appointed under the old councils to examine this question, even that committee could not go beyond a very non-committal and lukewarm attitude. This reference is more unfortunate, because the Commission has not been asked distinctly and directly to examine the possibility of framing a tariff policy with a view to protect industries in this country and to promote and bring about the conservation of the resources of this country which are being absorbed by a very wasteful foreign trade.

19627. *Q.* If the Government had done that, would it not be open more correctly to the criticism which you have levelled against it? Would it not be a bias in one particular direction? The Government in framing the reference have kept it perfectly open to us to examine the whole question in all aspects. Personally I think the tariff policy of a country is not a matter which can be considered from any single point of view. It will have to be examined from various points of view, the point of view of the manufacturer, the point of view of the consumer, the point of view of the producer, the point of view of transport facilities, the point of view of revenue and so on. I think the Government in framing it have made it as comprehensive as they possibly could do without indicating any particular direction in which the findings should be.

A. There is one point I must mention. From the reference it seems to me clear that the Government of India still appear to entertain doubts as to the desirability of doing away with the so-called free trade policy.

19628. *Q.* If the Government have positively come to the conclusion that the best policy was free trade or that the best policy was protection there need not have been this Commission at all. It is because this question is undecided as to what is really in the best interests of the country that they have referred it to the Commission. If you look at the reference you will find that we have been asked to examine the fiscal policy in all aspects, and from the point of view of all interests concerned. They have particularly asked the Commission to examine the fiscal policy that is most suitable for India in the interests of India. How can it then be open to any criticism? They don't say in the interests of anybody. They have deliberately asked us to examine all the questions affecting the fiscal policy in this country in the interests of India. That surely ought to have exonerated them from criticism.

A. I am very happy to learn this interpretation, and if you put this interpretation I would not fight with the reference much further, except that the agitation set up by Lancashire at the time this Commission was appointed gave one to believe that in all the interest it was the

intention of Government to include the interests of Lancashire also.

19629. *Q.* How can that be so?

A. I am very happy to learn it. The other unfortunate part of the reference if I may mention is that the Government of India have not mentioned in this reference the relation which your recommendations will have with the recommendations made by the Industries Commission; and when the question of tariffs was removed from the reference to the Industries Commission I thought it was obvious that if the recommendations of this Commission were to prove useful to the country they could not be framed. they could not be used without coupling them with the various recommendations of the Industries Commission, and since that was not made explicit here, that also I mention as rather unfortunate.

19630. *Q.* In paragraph 3 of the memorandum in clause (C) you say 'even if the prices paid are up to fifty per cent. in excess of the prices that may be quoted by any foreign supplier purchases will have to be made in India'. Do you mean to say that the Indian Government should purchase their requirements in India even at the cost of 50 per cent. higher value?

A. With regard to Government stores I look at it from the deeper economic point of view. If an industry is established in this country and if the producer can supply a material of a specified quality then the sacrifice for the consumers will not be wasted because the extra money which you put in this way will be spent in the country and will directly or indirectly return to the treasury by way of taxation on various commodities and by way of income-tax on the industry itself if the industry is making money and so on. Therefore I do not regard it as altogether wasted. But if some sort of encouragement like this is not given, enterprise may not be forthcoming as rapidly and on the same scale and on satisfactory lines. That is why I am suggesting that even up to the extent of paying 50 per cent. more for Government purchases in this country the Government should be prepared to encourage the production of every required article.

19631. *Q.* Then you will have to maintain taxation on a very high scale? Are you prepared for that?

A. If the Government adopt a national industrial policy calculated to make this country more or less self-sufficient in the matter of industry, then I think this country should be prepared to undergo any sacrifice required for a period of ten years.

19632. *Q.* That is to say it will be prepared to meet any excess heavy taxation necessary?

A. I do not think the charges incurred by Government in this direction would be half as heavy as the extravagant establishments which they have got in the Civil and Military Departments and in various other directions.

19633. *Q.* We are not concerned with that. We are concerned with the trade policy.

A. You are asking me whether it is right that the Government should be called upon.

19634. *Q.* This is a kind of subsidy you want the Government to give. If so you will have to replenish by additional taxation. Are you prepared for it?

A. Yes Sir.

19635. *Q.* In paragraph 10 of the memorandum you say "Purchases of railway plant and parts should be made in those countries which give special facility for technical students from India and which also give in the negotiations best advantage and preferential terms for goods which they import from India." I will deal with this in two parts. Your first view is that the manufacturers from whom railway plant and parts are purchased should be compelled to train a certain number of students in the technique of their business. Is that what you mean?

A. There are several lines of advance of industries in this country and we want some of our men to be trained. In the first few years we may have to go and purchase our stores outside because they are not produced at home. In that purchase we should also include a clause by which every factory which gets an order should undertake to admit one or two of our men as apprentices and treat them as apprentices of their own race and allow them to go through the actual course inside the factory.

19636. *Q.* You would make that a condition of purchase?

A. Yes; and in making this condition if a trading firm rejected the condition, then it would be for the Government at that time to decide whether the extra price which we may have to pay elsewhere is worth the training which our men would get. In some cases it may be very extravagant, in which case I would not insist. In other cases it may be a trifle extra, in which case I would leave the factory which is obstinate and go to the other factory.

19637. *Q.* And even pay a little higher price?

A. Yes, to secure the training of half a dozen men in the line.

19638. *Q.* The second point is 'which also give in the negotiations best advantage and preferential terms for goods which they import from India'. You know that the imports from India are raw materials and they go to countries from which we import manufactured goods.

A. There are various countries which are in a position to supply various articles. Indian tea is taxed very high in England and it is not taxed to the same extent in other countries. I have such matters in consideration.

19639. *Q.* Would you adopt a policy of retaliation in the case of countries which discriminate against raw materials?

A. I should not say retaliation. I should adopt a policy by which in a friendly manner we can reap all the benefits. We may represent to them and say we are paying so much for your goods and by such representations they may find it quite possible to offer us some inducements.

19640. *Q.* Supposing they do not listen to your representations, what would be your remedy?

A. Then the question has to be considered commercially whether the amount and scale of tax on Indian products which they levy really inflicts any serious burden on the Indian producer in disposing of his stuff in the best market and whether the advantage which we offer for purchasing our material in their country is likely to be counterbalanced without any injury to us.

19641. *Q.* Do you think it will be practicable to carry it out?

A. This is being done all over the world. The customs authorities everywhere are constantly examining little issues of this kind. I do not see why in India we should not form an organisation which will be well informed and can be capable of handling these matters in detail, and judge on the merits of each issue as it arises from time to time.

19642. *Q.* Will you name any country which carries this out?

A. In the United States there is a permanent organisation just doing this work. In England this sort of work is now being done since the war by the Board of Trade, which is daily seeing whether certain products of Germany and the manufactures from countries with depreciated currencies are not inundating England to the prejudice of the English manufacturers; and if they see they at once take steps under the Anti-Dumping Act to raise further revenue or to bring about complete prohibition and so on. In India we might also have similar machinery.

19643. *Q.* Which can practically carry out the policy you advocate?

A. Yes, sir.

19644. *Q.* In para. 12 you say 'the question of machinery has been already treated in para. 2. The importation of machinery of all kinds should be controlled. If, however, for the sake of uniformity a duty is levied it should be levied in conjunction with various other measures for the direct encouragement of industry so that if the State recovers by a direct charge on industry any duty on machinery it gives back directly to that very industry in some specific manner calculated to lessen their burden and to enable them to stand firmly on their feet.' Will you please explain that suggestion of yours, a little more clearly? Your whole object is to make efforts for the manufacture of machinery in India itself?

A. Yes.

19645. *Q.* And in order that that policy of a high import duty may not militate against the industrial development, would you take the duty on the imported machinery and hand it over to the industry that handles it?

A. Not to all industries.

19646. *Q.* Please explain what you really mean by it.

A. I have got a dual system of working the tariff in this memorandum which I will take this opportunity of mentioning so that I may make various other suggestions clear. In certain cases I am suggesting a heavy duty in order to create an atmosphere in this country of industrial enterprise in which businessmen will feel it more or less safe to come in.

This heavy duty should be coupled on with a subsidy for the production of the same articles at home. There would be an encouragement to the industrialist who launches out into that industry. He can expect a reasonable return. I have suggested that this subsidy should be a gradually diminishing subsidy to end in 10 years. The subsidy starts from a high figure, goes on diminishing and at the end of 10 years is automatically taken away. With regard to machinery, if you tax machinery heavily the money which you recover by the tariff on machinery on the import

side should be put into a separate fund to be given back to the industry. For example, if there is a 20 per cent. tax on the imports of textile machinery I should put this 20 per cent. tax into a separate fund which can be returned to the textile industry, not in the form of money loans, but by encouragement in several ways by giving them those facilities for which they approach Government from time to time.

19647. *Q.* Will you please explain the specific directions in which you would have this bonus paid?

A. In the matter of the textile industry I think the specific directions in which the bonus may be paid to the industry are the housing of labour (which is very difficult in a city like Bombay), the establishment of a special consular or other service in Japan, East Africa, Persia, Java and other countries, where our stuff is likely to go, or those countries which are unduly competing with us at present, the establishing of small poineer factories for the manufacture of bobbins and the various other similar stores required for the textile industry, directly or indirectly encouraging the production of chemicals specially needed by the textile industry, giving special preferential rates on the railways, and so on. I would not hand over the money in the form of money.

19648. *Q.* You would use the money in the development of that industry?

A. Yes.

19649. *Q.* In answer to question Nos. 9 to 15, you say "But I would bear in mind that in imposing a tariff on foreign goods, which it may not be possible to manufacture immediately or even in the next few years in this country the idea is not merely to afford through such protection favourable conditions for the establishment of new industries but also to prevent the dissipation of the resources of the community on purchases of foreign stuff by making them dearer and by diverting such resources towards articles which are capable of being manufactured in the country". Will you please explain this point more fully? Would you discourage the import of manufactured goods into India primarily for the purpose of establishing those industries in the country, but also secondarily for the purpose of reducing the consumption of those manufactured goods in the country and saving the resources of the country?

A. Yes. I regard this country as a very poor country. The economic life of the country is disorganised, because we are passing through a stage of transition. Our old handicrafts are dead. The old system is giving way to a new system of modern type. Considering the low average level of earning in this country, considering the very small national dividend (if I may indulge in a technical term) during the transitional period I think it is wasteful for our country to buy the foreign articles even if they are offered cheap and give more convenience and comfort to the consumer using those articles. I think most of the articles which are thus used could be purchased in this country. The principle on which I am suggesting this course is the same principle on which during the war the importation of luxury articles was prohibited in England. Some of the luxury articles were specially taxed very high. The idea was not to recover any revenue but to prevent people from wasting their resources when they were wanted for national purposes. We should be producing such articles in the country and I would allow them to be used freely. To give an illustration of what I mean, take a pair of shoes made in our country and the foreign shoes. The country shoes are embroidered. The foreign shoes for our ladies no doubt are nice and dainty. But I would rather that they wore the embroidered article, the country-made article, than the foreign article which serves the same purpose. This is the idea. If you impose a high tariff on articles which are imported and which are also produced in India so much the better.

19650. *Q.* That is to say, by imposing a heavy duty on the foreign articles you restrict their use in the country and save in that way the resources of the country.

A. If a pair of boots is made three times dearer than it is now, perhaps the lady who wants them would think that after all the magnificient Indian embroidered article is equally artistic and she would probably go and buy the Indian article. To that extent the makers of these articles would be encouraged.

19651. *Q.* In answer to Question No. 18 you state "In certain trades it may be desirable to impose further restrictions and to lay down that certain specified industries should not be allowed to be handled by foreigners at all". Which industries are you referring to?

A. I have not specified them here, because I did not think the Commission would want to go into these details. But the one industry that I had in my mind was the manufacture of munitions. I do not think any country would allow a foreign firm to come and establish a munitions factory except under very strict conditions of control. There are other articles which it may be desirable to get produced locally by our own men sufficient for the needs of the country and in which I would not allow perhaps a more efficient foreign manufacturer with a new patent method who would come down, put up machinery and who would thus cut out the few established concerns and put them to loss. Those are conditions which we cannot lay down from the start, from now. But I took it that in regulating the import of a foreign article in this country any administration that we may have in this country would not leave out of account possibilities of this kind.

19652. *Q.* In your answer to Question Nos. 20 to 24 you say "I have not seen anywhere in any publications of Government or in the public press or in any recondite works on this subject a definite case made out showing that prices will increase to the consumer, *i.e.*, the bulk of the people of this country will have to bear any additional burden". Do you mean to say that heavy import duties will not increase the cost or throw any additional burden upon the bulk of the people? Is your view that the bulk of the people are agriculturists, they do not consume imported goods, and therefore they won't be affected?

A. My view is that the bulk of the people are so poor that the articles which they consume are few and are in almost all cases made in this country, with the exception of those that I have mentioned further on. In the case of those articles I maintain that a very hevy tariff coming at this moment is likely to bring about a reaction, the cumulative effect of which will be that the consumer will not suffer. In particular I have drawn the attention of the Commission to the fact that prices have been falling both in this country and in the exporting countries in Europe. In the case of falling prices nearly everybody using the foreign imported stuff is more or less used to these high prices, and the imposition of the duty would only prevent a further fall of prices. If you prevent a further fall of prices the existing stocks in this country could be used up. If for example a resonable security was given to the textile industry and foreign imports are very heavily taxed, then I am quite sure they would go ahead with their extensions and produce in larger quantities. Ultimately, I think within a period of two or three years, we should be in a position to see that so far as 90 per cent. of the people in this country are concerned the duties do not have actually any additional effect.

19653. *Q.* Quite so. But don't you see that the additional burden may be by depriving the consumers of the benefits of reduced prices? That is to say if an additional duty had not been imposed on these manufactured articles the consumer could get them at very much cheaper rates, and therefore the additional burden is all there.

A. It is not so acutely felt, as the burden of increased price.

19654. *Q.* Being deprived of the saving of cost by the reduction of prices is also an economic loss?

A. No. My suggestion is that the consumer is himself a producer after all. The impetus given to industries which I am suggesting in various places would have such a tremendous effect in increasing wages in the agricultural districts and particularly in the diminution of unemployment that the resources of the working classes would be very considerably enhanced, and I think they would be more than able to forego the advantage of lesser prices.

19655. *Q.* They would be deprived of that advantage. You cannot deny that. They would be deprived of the saving as a result of this reduction of price.

A. It all depends on the period of time. If you allow a limited period of time to elapse I think they would not be deprived even of that.

19656. *Q.* There will be something if you say that they would be penalised only temporarily.

A. They may be penalised under ordinary conditions. But there are falling prices both in England and here and the disadvantages will not be felt, will not be acutely felt as they might have been under ordinary conditions.

19657. *Q.* They may not feel it, but the economic loss is there?

A. I beg to draw attention to the fact that a portion of these duties would be borne by the foreign manufacturers and the steamship companies. I would lay very great stress on a portion being borne by the steamship companies. Several countries put duties on manufactures, in order to encourage their shipping companies.

19658. *Q.* Will you please name any of those countries?

A. Canada is doing it Germany is doing it. Australia I think is doing it. I have not known any country in

which paddy is taxed. But before the war Germany had a system of tariff in which paddy was allowed free and rice was taxed.

19659. *Q.* In order to have rice mills in their own country?

A. Yes, and in order to provide a larger amount of freight for the ships which bring over paddy.

19660. *Q.* With reference to Question No. 49 you say that the United Kingdom has an advantage in the sense that most of the material required for railway purposes - and this runs into an enormous quantity—is purchased exclusively in the United Kingdom without any reference to competitive prices or alternative sources of supply. Will you please tell us what authority you have for that statement? I understand that the Trade Commissioner is now inviting tenders from all countries of supply

A. I know more precisely with regard to the rubber industry in which I am interested. I know that the consulting engineers of the India Office buy things only from the United Kingdom. No attempt is made to secure the requirements of railway stores from rubber made elsewhere. In fact I am doubtful, let alone foreign countries, whether, if we are producing in this country, we shall have a fair opportunity given to us of competing and tendering for the requirements of the Government of India under this head.

19661. *Q.* What I want to know is whether you have any positive information in regard to the statment that you make?

A. I would also refer to the evidence given by Sir William Meyer before the Railway Committee, in which he had admitted that he has not been always able, owing to the pressure brought upon him by English manufacturing interests and various other interests in London, to place orders for railway stores in other countries whenever it was possible to do so on economic grounds.

19662. *Q.* Has there not been a change now? We have seen in the newspapers that this has been changed, and that free competition is resorted to by the Trade Commissioner for the supplies of India.

A. These declarations have been made from time to time.

19663. *Q.* Do you know anything at all about the policy that is pursued now?

A. We asked the Member in charge when he came down to the Indian Merchants Chamber to supply us some figures as to competitive prices and we were told that these figures would be supplied to us at the end of three months. It is now nine months and we have not received them.

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19664. *Q.* You have undergone some training in political economy in England, have you not?

A. I am an honours graduate of the London University.

19665. *Q.* When did you come out?

A. In 1914.

19666. *Q.* Have you had any practical business experience since then?

A. I have been engaged in business for the last 6 years. I am now doing my own business.

19667. *Q.* I understand from your answers to the President's questions that you think the present railway policy is economically unsound. You think that there ought to be an immediate change of policy and that the railway revenue should be subordinated to industrial interests. That is what I have understood from your answers?

A. I believe that the favouring of special industries by special rates is likely not to dimininish the total traffic of the country. The total traffic is bound to be on the increase. I think when the working classes of this country begin to earn a little more there will be more moving of labour and their requirements would offer traffic to the railway. There will be traffic from various places in the interior. So ultimately you will not reduce the revenues of the railways, but will increase the railway revenues.

19668. *Q.* Do you think that the present railway policy should be continued, or do you think that it should be abandoned as a policy which is not in the interests of the country?

A. I think the present policy should be very considerably revised, and specific action taken to favour industries.

19669. *Q.* I agree with you there. But you state that the railway revenue should be subordinated to industrial interests. I find it rather difficult to understand your position. You know that large sums of money, millions and millions of pounds sterling have been invested in the Indian Railways. You are also aware that the biggest revenue of the Government of India comes from the railways. You know that if you take away that revenue the Government of India would practically collapse. How would you then give up this railway revenue? You would make the Government of India bankrupt.

A. Do you want me to give alternative suggestions in order to replenish the finances? I think the heavy rates of tariff that I have suggested would lead to an increase in the customs revenue of about two or three times the present revenue.

19670. *Q.* Do you recommend heavy rates of tariff for that purpose?

A. I would go further and recommend direct taxation of industries provided Government is giving the industries encouragement and assistance, as I have suggested.

19671. *Q.* You recommend heavy tariffs and also that industries should be taxed?

A. It is not the correct form in which I put it. I would put it like this. I do not agree that the railway revenue of the Government is likely to be very seriously damaged by the suggestions I have put forward. But if it is damaged, I say that it could very well be made up from the increase in tariff. And if it is further necessary to get revenue it could be made to come from an increase with regard to other items of taxation.

19672. *Q.* In this connection on all imports you would recommend a 100 per cent. import duty except in the case of liquors, spices, apparatus and matches?

A. No, sir, I have recommended in the case of liquor no import duty at all. I have recommended total prohibition. In some cases I have recommended a minimum tariff, which I have suggested should be 20 per cent. In other cases I have recommended a middle tariff, which is 40 per cent. and in other cases still I have recommended the maximum tariff which is 100 per cent. I have recommend for example 100 per cent. on motor cars and 40 per cent. for separate parts of motor cars. The inference is obvious. The 60 per cent. difference is so great as to induce everyone not to try to get complete motor cars, but to get separate parts and assemble them here. The intention is that this assembling should be done in this country. I have recommended my graduated tariffs on these lines.

19673. *Q.* In many cases you have recommended the imposition of very heavy duties. It appears to me that if your tariff is adopted Government will be in the happy position of having no revenues at all, and therefore I would like to put to you a couple more questions in this connection. As India is at present industrially situated, or at least for a long time to come, do you think she could stand the very heavy import duties which you recommend?

A. I want to know in the case of what articles. The Commission never invited in their questionnaire such a detailed examination. I found that I was not able to recommend any particular level of duties for all articles indiscriminately. If you mention to me in the case of which particular articles the duty is very heavy I can reply.

19674. *Q.* Take the case of metals. In the case of iron and steel you have said that the rate of increase should be accelerated by a high protective tariff. In the case of lead you recommend a moderate duty, and in the case of copper plates and wire you recommend a duty of 20 per cent.

A. In the case of iron and steel I have not recommended any specific figure.

19675. *Q.* What will you recommend?

A. I have suggested that the rates should be considered in consultation with the trade and that any excess profits over a certain percentage should be recovered by the State. If you press me to answer the question I should say that the rate of increase may not be accelerated by bringing the rates so far as the iron and steel goods coming to this country are concerned, to the general level 11 per cent. that we have at present. I should suggest a subsidy on the production of iron and steel goods to the extent of 100 per cent. diminishing to zero in the course of 10 years

19676. *Q.* Then you would qualify your statement?

A. Yes.

19677. *Q.* You say that the rate of increase in production could be accelerated by a high protective tariff.

A. As I have said throughout the memorandum, unless you give subsidy to the production in this country, the protective tariff is useless.

19678. *Q.* Therefore I have put you this question "are you in favour of high protective tariff" and you think that the high tariff would be justified under the present Indian conditions.

A. Yes.

19679. *Q.* Would this not affect the Indian consumer?

A. No, not to the extent the general impression is.

19680. *Q.* Would you even go, if necessary, to tax the industries?

A. I would go to tax the industries on their profits if the Government adopt all these measures and if the industries make sufficient profits.

19681. *Q.* I should like to know in what way you will tax the industries, Would you put an excess profits tax or increase the income tax or what?

A. I think that the existing income-tax and the super-tax are quite proper. I am contemplating a large increase in the number of establishments and these establishments would yield a larger revenue to the Government.

19682. *Q.* Everybody knows that the larger the number of industries, the greater the amount of revenue. I want to know, if you tax the industries what your method of taxation will be.

A. The best form is to tax their net profits, the same as is done by the income-tax at present.

19683. *Q.* There is at present a small tax of one anna in the rupee of income-tax and super-tax. Would you keep them as they are or are you in favour of increasing them?

A. You will kindly pardon me if I interrupt you so often. If the revenue of the Government were to decrease on account of carrying out the suggestion which I have made, then I would increase the taxation, otherwise I would not. Subject to that qualification I should certainly suggest that if the Government were working on national lines of industrial policy, I should be inclined to taxing industries beyond the present level.

19684. *Q.* Would you impose an excess profits tax?

A. No, I regard it as defective.

19685. *Q.* You are a great enthusiast I see from your statement. You want the industries to be developed, and yet you seriously think that if additional income-tax and super-tax are put on industries, instead of killing them, you will develop them.

A. Only when the industries make profits, you will levy these taxes and if they are making profits, they should contribute to the State.

19686. *Q.* You know that the high taxation in England has ruined England industrially. Are you not aware of that? Now the Government of England have practically abolished the whole excess profits tax and if they could possibly reduce the income-tax, they would do it because they say that industries are suffering very badly, and yet you are recommending a policy of high taxes in India.

A. Therefore I rejected the question of excess profits tax as soon as you mentioned it. So far as the general income-tax of the country is concerned I think that if the industries were making profits, then they should contribute to the State just in the same way as other interests do, and if the State was following a national policy, the manner in which the Government revenues would be spent would be directly and indirectly to give benefits to the industries. You would not be killing your industries by that; on the contrary you would be supporting them.

19687. *Q.* Another astounding proposition which you make and to which the President has referred you already is that you would prefer Indians to pay 50 per cent. more on all the stores than the price at which they could get foreign supplies, and two reasons you assign for that. One is that the money will be spent in this country and the second is that you will be giving great encouragement to the industries in this country.

A. I take it the question is whether giving away 50 per cent. more to indigenous factories which are producing stores to the specification and to the full test of the Government requirements is not a wasteful policy.

19688. *Q.* You justify that it is not wasteful on two grounds. One is that the money will be spent in the country for the benefit of the tax-payers themselves and the second is that it will encourage the industries.

A. Throughout my memorandum I have suggested that heavy subsidies refer to a ten-year period and during that period if we give this 50 per cent. more, I consider that it is a less objectionable suggestion than the suggestion which has been made in other quarters that the entire output of the factory should be taken over by the Government. This is less wasteful. You are only buying what the Government wants.

19689. *Q.* Would this not have a demoralising effect?

A. I don't think so. I think that nothing encourages an industrialist so much as the feeling that the community is behind him and you cannot give him that feeling until some such action is taken.

19690. *Q.* I suppose that you are following the debates in the Bombay Council and also in the Legislative Assembly. Do you think that they will tolerate this policy if we recommend it?

A. I think that it has not been tried by the Government and if the Government ever tried it they would find that there is a much bigger response, and of a different kind, than you seem to anticipate.

19691. *Q.* Now about the machinery. You have dealt with this in your written statement and you have also given your explanation to the President. I understood you to say that you are in favour of a heavy duty to create an industrial atmosphere and you also would give subsidies for 10 years which would be taken away after that time. In answer to the President you also said that you would recommend that the money realised by these heavy duties should be kept in a separate fund and should be earmarked for the following purposes, (1) housing of labour, (2) the establishment of Consular services and (3) establishing small bobbin factories. I shall take each case separately. You say that the money should be spent in the housing of labour. Your position is this that we should put a heavy duty on machinery and when that money is realised it should be earmarked for the purpose of paying back to the textile industry in the shape of house building grants for the workmen. Do you think that is an economically sound proposition? I will put it this way. You take the money from the general fund in which every one is interested. You want that money to be utilised for a special industry in which only a few are interested, for the benefit of the mill people. Would it be sound from the point of view of the general tax-payers?

A. The proposition is not exactly what you have formulated by separating it. I will therefore place it as I meant it. I think that a certain amount of tax may be levied on machinery, but spare parts of machinery which arrive from abroad and which can be made here might have a lower tariff in order to encourage people in getting these spare parts and assembling them together here. This is exactly the same as in the case of motor cars. Then I think that when an industry has to pay more for an imported machine to the extent of 10 per cent., some attempt may be made by local foundries and local engineering works to see whether they cannot manufacture at least these smaller types. In the meanwhile taxing machinery is objectionable on principle and that objection may be taken away by the fact that money received in this way would be set aside if the Government conscientiously tried to understand the difficulties of any particular trade or industry, for the removal of such difficulties. There are numerous small and big difficulties, and this of course is a matter of detail into which the Government Departments concerned would have to go. So I suggest that the money collected by taxing the machinery as it came could be devoted to remove these things.

19692. *Q.* There are so many members to follow me and I must finish my examination quickly. So, I want you to confine yourself to the point.

A. When you said that my position was uneconomical, I wanted to explain my position. I don't think that after being 15 years on a particular subject, I would make a proposition which is hopelessly uneconomical as you made out.

19693. *Q.* Would it be sound from the point of view of the general tax-payer?

A. That is my opinion.

19694. *Q.* Would it be advantageous? Am I to understand that as a great enthusiast in industries you would still recommend high duties on machinery to be diverted in the manner in which you have said?

A. Yes.

19695. *Q.* Why tax at all?

A. I am prepared to consider the alternative suggestion I have made here. Have no duties on machinery if you like, but subsidise the production of machinery in this country.

19696. *Q.* Which would be better in the interests of India?

A. The joint system would be better: a small taxation on machinery coupled with a heavy subsidy on the production of machinery which subsidy diminishes in 10 years to zero.

19697. *Q.* Would you give that subsidy to the manufacture of all kinds of machinery in the country or to any particular kind?

A. I would not suggest any subsidy to be given to the production which may be exported from this country. Otherwise I would suggest that the subsidy should apply uniformly.

19698. *Q.* To all kinds of machinery?

A. Yes.

19699. *Q.* What duty would you recommend to be put on textile machinery?

A. The question of having a duty on it would have to be dealt with in connection with the excise duty, and in connection with the general scale of duties levied on imported goods from Lancashire. Indian industry has great difficulty in competing with Lancashire. I would not therefore answer the question straight away except subject to conditions.

19700. *Q.* Why do you want a duty of 100 per cent. on umbrellas? I thought that it was a sheer necessity for the people.

A. I have seen country-made umbrellas in this country and I think that it would do a lot of good to use country-made umbrellas.

19701. *Q.* Japanese umbrellas are cheaper.

A. I am suggesting 40 per cent. duty on the spare parts so that these may come here and be assembled.

19702. *Q.* Is not 40 per cent. a heavy duty?

A. For a period of 5 or 7 years only until the industry is established in the country, I don't think that 40 per cent. is heavy.

19703. *Q.* In answer to question Nos. 20 to 24 you say that high prices depend on numerous factors and one factor is "the use of the country's financial resources for propping of financial interests in London through the transference of funds by the Secretary of State and by the Imperial Bank of India so as to cause artificial stringency in this country and artificially high money rates." I would like you to explain because I cannot allow the statement to remain so far as the Imperial Bank of India is concerned.

A. This is one of the old grievances of this country that the Secretary of State has been transferring very large funds to the United Kingdom, more than is necessary and the Chamberlain Commission in examining the situation gave this verdict and the Babington-Smith Committee also remarked on the same issue and suggested a certain amount of moderation in the transference of funds.

19704. *Q.* What funds are you referring to?

A. I am referring to the cash balances, currency reserves, gold standard reserves. The gold standard reserves and the paper currency reserves are transferred from this country to the United Kingdom and kept there. The keeping of these funds in England gives a moral backing to English financial interests. Indian financial interests would get this advantage if these funds were kept in this country.

19705. *Q.* Do you know anything of the present state of affairs? Has anything been done to that effect?

A. A non-official is not favoured with the latest information. Last year was exceptionally a bad year. The balance of trade being against us, the Secretary of State had to finance himself from loans. I am referring to the ordinary years. I think that we should take a series of years rather than any one particular year.

19706. *Q.* The Imperial Bank of India is a private Bank. Why do you lay the blame at the door of the Bank when it is a part of the Government policy? What is your reason for dragging in the Bank?

A. The Imperial Bank of India as Government Bankers in this country use large resources of the Government. I am only saying that the Imperial Bank of India repeated what the Secretary of State had done.

19707. *Mr. Jamnadas Dwarkadas*:—*Q.* Before I begin to question you on this subject, I want to ask you one or two questions about the terms of reference. The president has already asked you some questions on them. Do you know when the terms of reference were announced?

A. I have not got the precise date in my mind.

19708. *Q.* I am asking you this question because I was responsible for putting a question as to whether the Government proposed to appoint a Fiscal Commission or not on the 1st of March in the Legislative Assembly, and in answer to that it was announced that the Fiscal Commission would be appointed and the terms of reference were also announced. I want to know from you whether from the 1st of March, the day on which the terms of reference were announced by the Government, to the date on which the Fiscal Commission was announced when the questionnaire came out, there was any criticism made on the terms of reference either in the Press at Bombay or anywhere else.

A. If you ask me whether I criticised the terms of reference the moment I saw them. If I did not publicly criticise, I am afraid it is not my business to criticise all issues which happen day after day, but I certainly thought them defective as soon as I saw them.

19709. *Q.* Can you point out any paper which criticised the terms of reference?

A. Well, the press are not enterprising enough to do it and also not sufficiently well informed on financial and commercial matters, or probably it may be that they have been fed by numerous more exciting political affairs over which they are busy. I do not know why they have not done so. I thought at the time and I should continue to be thinking that the terms of reference were defective, had it not been for the interpretation which the President of the Commission gave that the interests concerned did not refer to Lancashire, but they referred to Indian interests.

19710. *Q.* I think that I am right in saying that you often appear in the press as a critic.

A. No.

19711. *Q.* In speeches as well as in writing you have criticised Government's policy?

A. I used to do three or four years ago. I don't find as much time as I used to.

19712. *Q.* You never publicly criticised the terms of reference after the 1st of March.

A. Under my signature I have not criticised this or anything else.

19713. *Q.* You are very strong in your condemnation of the policy of excise duty adopted by the Government.

A. Yes.

19714. *Q.* I take it that what you condemn is the countervailing excise duty. Is not that so?

A. Yes.

19715. *Q.* Would you for revenue purposes advocate an excise duty if there was a fair margin between the excise duty and the import duty just as there is at present.

A. I would condemn the excise duty in any case as a form of taxing the textile industry. If the Government wanted to take money from the textile industry, let them tax the net profits. In the case of the excise duty, they would tax the industry in years of profit as well as loss; under this system, Government would tax good firms as well as new concerns which may be started.

19716. *Q.* You object to it on principle.

A. As a very wasteful and objectionable principle of tax on the textile industry.

19717. *Q.* In paragraph 3 of your written statement, you refer to the handloom industry. I cannot get clearly what really your views are as to the encouragement to be given to the handloom industry. Would you mind elaborating them?

A. When I refer to the co-operative credit societies, I think that if the policy of railway rates were properly revised, there would be numerous textile concerns springing up inland. When once these concerns spring up inland, I think they would be competing with the handloom industry to the disadvantage of the latter industry. If therefore we expect that the textile industry of the factory type will go on advancing very rapidly as I do expect, the handloom industry is bound to be affected to a certain extent. If it is so affected and if the Government on public grounds decide that it is not wise to have such a large mass of industrial population suddenly affected by a fierce competition of the factory type, then I think that they should be encouraged with advances through the co-operative credit societies for raw materials, facilities for the selling of the staff and in various other ways, so as to minimise the distress during the period of transition.

19718. *Q.* But ultimately you think that the extinction of the handloom industry is inevitable.

A. I should not use the word extinction. Handlooms are working in the United Kingdom for silk things, and special kinds of cloth. In our country also there will be this industry for special kinds of cloth. It would therefore be a gradual transfer to the better and better type of work, for example gold threads. I don't expect its extinction at any time.

19719. *Q.* As a subsidiary activity for the villagers, you would always retain it, would not you?

A. I should certainly encourage it. It is very good for the villagers to make their own cloths if they can.

19720. *Q.* You advocate, what I am afraid, no other witness has advocated a policy of high tariffs to the extent of 100 per cent.

A. Yes.

19721. *Q.* I have followed your answers to the President and to Sir Manakjee Dadabhoy and I want to ask you a few questions. You ask this Commission to recommend a 100 per cent. duty on certain articles which you have mentioned. Take it for a moment that the Commission makes that recommendation, what would be the immediate effect on the prices?

A. Let us take an example. I have suggested 100 per cent. duty on motor cars.

19722. *Q.* Take this case of cotton goods.

A. It is a specific case. If the Commission recommend a 100 per cent. duty on cotton goods, the stocks accumulated in this country would be used up in the course of a year or two, that is what my piece-goods friends tell me, during which time all the existing textile factories would try and

work overtime and the projected concerns which are going slowly would be started quicker. It would also give a certain amount of fillig to the handloom industry as the people would go from the use of finer cloth to the use of coarser cloth and if they go to the use of the coarser cloth, I think that the existing mills could supply. At present the capacity of the existing mills to produce more cloth is very much under-estimated.

19723. *Q.* I do not think you have followed my question. What would be the immediate effect of this heavy duty on the consumer? Will it not affect the consumer considerably?

A. I think the prices would be steady.

19724. *Q.* You are not advocating a small duty, but a heavy duty. Would it not have a considerable effect on the consumer?

A. It will not have a considerable effect on 90 per cent. of the population in this country.

19725. *Q.* You advocate a 100 per cent. duty on cotton goods and a heavy duty on machinery.

A. Not a heavy import duty, but still please proceed.

19726. *Q.* A fairly heavy duty. All this means that the cost of production will go up in this country. Will it not affect the consumer?

A. The consumer will either have to economise in the use of cloth or will have to use slightly inferior quality to what he is using, or he will have to pay slightly more if he uses the same cloth as he is using, not a 100 per cent. more.

19727. *Q.* It is not in your experience, that in India so far as the masses are concerned, they economise a little too much?

A. Well, I take it, but I can still conceive that if the industrial policy of the Government continued as it is they might have to go absolutely without.

19728. *Sir Manakjee Dadabhoy*:—*Q.* Absolutely naked:

A. I can conceive of that situation.

19729. *Mr Jamnadas Dwarkadas.*—*Q.* I do not support the Government policy for a moment, but there can be extremes on both sides. If the present policy would enforce nakedness on the people, I think the policy which you advocate would also probably enforce nakedness on them.

A. I do not think so, I think the policy I advocate would increase their earning capacity and their power of spending. What I am advocating is calculated to give the greatest benefit to the working classes of this country.

19730. *Q.* Well, during the war, Indian industries got automatic protection?

A. Yes.

19731. *Q.* At that time, the prices went up considerably?

A. Yes.

19732. *Q.* Do you think that during the war wages increased proportionately to the increase in prices?

A. Wages did not rise in proportion to the increase in prices because during the war the increase in prices was altogether adventitious from outside circumstances. But the increase of prices that would come in on account of a consistent policy of the Government would bring wages with it. Wages went up during the war without creating increased demand for labour.

19733. *Q.* There was no increased demand for labour?

A. The demand for labour was not a consistent demand. It was in a new direction for war labour and for work abroad.

19734. *Q.* You still hold that the wage-earner would not suffer at all by imposing heavy duties on necessaries of life?

A. The imposition of a 100 per cent. duty on textiles imported into this country would not, in my opinion, inflict a very heavy burden on the consumer, that is to say on 90 per cent. of the population.

19735. *Q.* That is the labourers?

A. Yes.

19736. *Q.* What about the middle classes?

A. The middle classes would not be affected, because then it would be fashionable to wear coarser cloth, and if they wore coarser cloth they would be much better.

19737. *Q.* You say they would be compelled to lower their standard of clothing?

A. They would get higher wages, as they would be required in offices, etc.

19738. *Q.* Mr. Subedar, we have lived in Bombay and we have passed through all kinds of times during the war. Probably the wage-earner got some increase in his wages. But do you think that the extraordinary time that the industries had during the war had any favourable effect on the middle classes? On the contrary, is it not our experience that prices went up, rents went up and yet there was not any appreciable increase in their salaries?

A. I think the middle classes got on very well during the war so far as the field of employment is concerned. So many of them rose to positions which they are unable to maintain. I have seen hundreds of applications from persons who got a little advanced position in life during the war, but are unable to get similar positions now.

19739. *Q.* In my opinion you are taking exceptions as the rule.

A. I think there is no cause for apprehension, as is generally believed, so far as the consumers are concerned.

19740. *Q.* In one of your answers to the President you said that you would have a duty on machinery and that you would give the money thus got to the industry. But in answer to Sir Manakjee Dadabhoy, I think you said that you would give the money for the purpose of building houses for the labourers. I thought your object in taxing a particular industry was to establish that particular industry in India.

A. To establish the machinery making industry in India.

19741. *Q.* But how can you use it both ways?

A. I have submitted in my answers that 100 per cent. subsidy should be given on the production of each machine.

19742. *Q.* You advocate a policy of protection, if I may say so, without any discrimination.

A. I should not think so. I think you are doing a little injustice.

19743. *Q.* You are suggesting 40 per cent. duty on semi-finished articles?

A. Yes, 40 per cent. on semi-finished articles and 100 per cent. on finished articles.

19744. *Q.* But before giving protection to any industry would you not ascertain as a practical man of business whether it is possible to develop or to establish that particular industry in a short time in India?

A. I think very many industries could be established in India in a short time, *i.e.*, 2, 3 or 5 years according to the kind of industry. In fact I have split up the tariff deliberately for that reason. Any prime stuff that comes into India should be charged lower rates and the finished articles higher rates. I have suggested 40 per cent. and 100 per cent. If you take motor cars if you charge 100 per cent. on assembled cars and 40 per cent. on parts, I think two or three firms would be established here for assembling the parts imported

19745. *Q.* Please leave out motor cars which I consider is an item of luxury.

A. If you won't take motor cars, I would take sewing machines. I would put larger duty on the sewing machines, but on the parts I would charge lower duty, so that any enterprising man could assemble the parts here and sell the machine here.

19746. *Q.* Before putting a heavy duty on any definite article, would you not consider whether there is any prospect in this country for establishing that particular industry or not. If you would not, I think I would be justified in calling your policy indiscriminate protection.

A. If it is an article of luxury I would put a heavy duty, in order to divert the spending resources of the community in directions which would feed the Indian industries.

19747. *Q.* Leave aside articles of luxury. You have not left out from your duties even articles which are called necessaries. Don't you think that if we followed the policy which you recommend it would immediately bring about a state of enormous poverty from which it would be difficult to get out for years to come?

A. Did the war on account of raising prices bring about enormous poverty?

19748. *Q.* Yes. It gave money to a few, but the poor did feel the poverty.

A. To my mind the people of this country have paid increased prices for various reasons, such as increase in tariff, the rise of wages in the producing countries and increase in freight. Now, I say they should pay these increased prices for the sake of establishing industries in this country.

19749. *Q.* Mr. Subedar, we had before us as witnesses Sir Vithaldas Thackersay, Mr. J. A. Wadia, and Mr. Manmohandas Ramji. You know they are all experienced men so far as the textile industry is concerned, and they are also very keen on seeing the industrial development of this country. They did not advocate the amount of protection which you advocate for their own industry. They thought that it would have an adverse effect not only on the prices and on the consumer, but also on the industries concerned.

A. I have great regard for those individuals you have mentioned, but with all that I entertain a different opinion,

19750. *Q.* You suggest an import duty of 100 per cent. on cement. You are not interested in the manufacture of cement ?

A. No ; I am not.

19751. *Q.* You know that before the war there were no cement factories in the country ?

A. There were two.

19752. *Q.* My impression was that before the war there was no cement industry in India. Anyhow, before the war we were importing most of our cement from abroad, but now you have a number of factories sufficient to provide all the cement we want, and you will be justified in asking for protection to a certain extent in that case. We had witnesses from cement factories, and while they ask for protection to some extent they do not ask protection to the extent to which you go ?

A. I am asking 100 per cent. protection for cement in order to prevent foreign cement coming here altogether, because I think that the cement industry has come to a stage when they will be producing enough to meet our requirements in this country, and I think we should develop it still further in order to export if necessary.

19753. *Q.* What effect would that have on the price of cement in this country ?

A. Prices are not bound to go up to the extent of the 100 per cent. duty. If they go up it may be the result of any working agreement between the producers of cement, and if they have any such agreement, then it is for the Government to check it. If there is competitive production in this country prices are not bound to go up.

19754. *Q.* What is your view with regard to the establishment of foreign firms, which is bound to come about if a policy of protection is adopted ? You say that you would make it a condition that 50 per cent. of the capital should be subscribed in India.

A. I am suggesting that as one of the conditions.

19755. *Q.* Would you or would you not welcome the establishment of foreign firms in India ?

A. I think if this country wants to make a very rapid advance, it is possible that we may want the assistance of foreign capital in this country, and I am not averse to the establishment of a foreign factory here because considering the present condition under which a factory works abroad and sends down the stuff to be marketed here. I would rather have a factory worked here and the products sold here. In the present condition of India, the merchants abroad, from every country in the world, can produce anything they like and send it here. Rather than allow that, I would sooner have a factory working in India, for if it is working in India it is to a certain extent under the control of the Government of this country in so far as the Factories Act and various other Acts are concerned, and they would also be paying revenue to the State from their profits. They would also give employment to our labour. All this would be to our good.

19756. *Q.* With regard to the permanent organisation, you suggest that we should have a board consisting of three, two non-officials and one official. Would you not have representatives from all provinces and from various industries ?

A. That would be much too large and unworkable a board. I think this board would have the power of inviting at any time they like representatives of various industries or representatives from provinces, and could tour round the country and confer with provincial Governments.

19757. *Q.* This Board will be in an advisory capacity to the Legislative Assembly ?

A. This Board would be an executive board whose recommendations would ordinarily go through unless vetoed by the Assembly.

19758. *Q.* Would you not rather prefer that all the recommendations made by the Board should be investigated and submitted to the Assembly before they are carried into effect ?

A. I would not object to their being laid on the table. The Legislative Assembly may be so busy that they cannot go into every detail, so that unless the proposals are vetoed they should ordinarily go through.

19759. *Mr. R. A. Mant* :—*Q.* Mr. Subedar, you have taken advantage of this enquiry to make certain insinuations against the honesty of the Government. I do not propose to go into those charges, partly because they appear to be largely irrelevant and partly because I think the reputation of the Government is sufficiently strong to stand up against your charges. But I do think it advisable to ask you to state clearly what you mean in one or two cases where your meaning is a little ambiguous. In the first place you say : "The professions of the British Government in the matter of encouraging Indian industries have been disingenuous." Would you tell me what you mean by the word "disingenuous"?

A. There have been various remarks throughout this evidence criticising the policy of the Government in the past and their attitude generally towards the Indian industries. I have been contrasting the policy of the British Government in India with the policy of national Governments in other countries.

19760. *Q.* I only want to know the meaning of the word "disingenuous." I have not asked you to justify the remark.

A. I mean by the word "disingenuous" that the professions which have been made from time to time have not fructified, that we have been disappointed, that the Government have failed to carry out their professions.

19761. *Q.* You only mean that they have not fructified ?

A. Well, that is the most euphemistic and polite way in which I could put it.

19762. *Q.* I do not want your euphemistic and polite way. I want you to say what you honestly mean.

A. Honestly I mean that the Government have been either too busy or they have been too disinclined to take the question of the establishment of industries, and whatever professions they have made from time to time in the past they have failed to carry out.

19763. *Q.* You mean by the word "disingenuous" that they have failed to carry out their promises ?

A. I will give them the benefit of the doubt.

19764. *Q.* They won't thank you for that, but they would rather thank you for saying what you honestly think.

A. If you like I would say it. Very well, the Government have made those professions as politicians to meet the exigencies of the case just to placate public opinion for the moment without intending to carry them out as efficiently as they should have been carried out.

19765. *Q.* You mean they were dishonest ?

A. If you like to use that word.

19766. *Q.* That is what I understand you to mean. Then you say : "They have deliberately settled a policy of railway rates which any tyro could see was calculated to allow of minimum development." Do you mean that they intended to allow the minimum development of Industries ?

A. I take it that an administration of such strength and such equipment would not have fixed the railway rated without having considered their effect in all directions, and if they considered the effect in all directions, I certainly think that they must have realised the effect on the development of industries in India. They should have seen that the effect was not likely to encourage industries but was going to very considerably set back our progress. If they knew this and they still fixed the rates as they have, that is what I think a national Government would not have done.

19767. *Q.* Then you mean that they intended to retard the development of industries by means of these railway rates ?

A. I mean that they regarded the development of industries in this country as an object very much subordinate and very much less important.

19768. *Q.* I want to get the meaning of the word "deliberately." Do you mean that they intended to retard the development of industries by means of these railway rates ? I am asking for a clear statement of your charge, instead of insinuations.

A. My charge is that the Government did not regard the development of industries as a very important object in fixing the railway rates, and they have got the railway rates fixed from time to time in such a way as to hamper industry rather than to encourage it.

19769. *Q.* Did they intend to use it so ?

A. I do not say that they deliberately sat down and thought out in what way they could put industries back, but when they fixed the rates and revised them they must have regarded the development of industries as a subordinate object.

19770. *Q.* You won't answer my question, whether they intended to produce this result or not. You keep on prevaricating ?

(Witness to the President :—Mr. Chairman, I should certainly say that the word "prevaricating" is too strong a word to use towards a witness. I have been trying to explain what has been my most unfortunate duty to record. I say the fixation of railway rates has been one of the reasons for the backwardness of our industries. The Government must have known it when they fixed it, and if they did know it and if they did not remedy it, we must regard it as an act on their part to deliberately keep back the growth of industries.)

19771. *Q.* Then you say that they deliberately tried to keep back the growth of industries in India ?

A. (No answer).

19772. *Q.* Then again you say : "The professions in the matter of purchases of stores from Indian manufactured goods appear to have been made merely to satisfy public opinion and evidently without any genuine intention of carrying them out." There your charge of dishonesty is clear. I take it you mean that the Government deliberately issued orders which they did not intend to carry out. Is that your meaning ?

A. I mean it in the same sense in which politicians all over the world, when they are pressed too hard, make a declaration and then do not put their declaration into effect. The Government of India have done the same in the case of purchase of stores.

19773. *Q.* You were complaining about the use of the word "prevaricating." If you prefer the politician's term it is terminological inexactitude. I only want your statement in clear terms.

A. I certainly think the Government have failed to carry out their professions in the matter of the purchase of stores.

19774. *Q.* You mean to say that when these pronouncements were made and ... .

A. And in making these pronouncements they hedged these matters with rules which indicate that their original intention is that the pronouncement is not supposed to be carried out. I will illustrate my meaning unless the Commission thinks that I am taking too much of their time, by going into the question of the store rules that were framed ....

19775. *Q.* We don't need an illustration. I merely wanted a statement of your meaning. You say the Industrial Commission was not allowed to lay down definite lines as to the policy of stores purchase of this country. What do you mean by that statement ?

A. The Industrial Commission said that the purchase of stores in this country is a question which should be examined by a separate committee, which committee was subsequently appointed.

19776. *Q.* You say that the Industrial Commission was not allowed to lay down a definite line of recommendations in the matter of purchase of stores. What do you mean by 'they were not allowed' ?

A. I mean that the demand of the Indian public that the Government should adopt a very much more liberal and definitely national step of purchasing stores in this country, that demand was set aside by the Industrial Commission.

19777. *Q.* You say the Commission was not allowed. Do you mean that the Government prohibited them from doing that ? Who did not allow the Commission ?

A. The Government appointed the Commission, they had their own representatives ; I think four of the members were Government officials and I think the Industrial Commission went to such limits as they considered practicable and as they thought would meet with the approval of the Government generally.

19778. *Q.* You have made a statement that the Commission were not allowed to take up this question. I am only seeking to get the meaning of your statement that 'they were not allowed'. Somebody must have forbidden them.

A. I do not mean that the Governor General in Council set down and framed the recommendations and sent them round to the Commission, I don't mean all that. I do mean that the recommendations of the Industrial Commission on stores purchase prevented the topic being considered straight away, which resulted in the appointment of a subsequent commission. The formation of that Committee, the manner in which it has retarded the action of the Government subsequently, all these indicate that the Government were not anxious that the stores purchase question should be solved to satisfy Indian opinion. That they were not anxious was probably known to the Commission and I take it that the Commission to that extent correlated to the known wishes of the Government. I say the Commission consisted of a majority of Englishmen, and there was a considerable official element in it.

19779. *Sir Manakjee Dadhabhoy* :—Your statement is hardly complimentary to that Commission. You attacked this Commission this morning and now you are making a statement against that Commission when it is not here to defend itself.

A. I have considerably modified and practically withdrawn my criticism after the explanation given by the Chairman of this Commission. So far as the Industrial Commission is concerned I am not attacking the members. Those gentlemen have done very good work. I only say that in the purchase question I wish they had gone a little further and decided the question then and there, instead of which they recommended a committee.

19780. *Mr. Mant* :—I take it that you modify your statement that they were not allowed in the sense that the Government ordered them not to.

A. I certainly do not mean that.

19781. *Q.* It is very hard to get at what you do mean.

A. (No answer).

19782. *Q.* Well, as I said before I do not propose to take up the time of the Commission by going into the details of those charges against Government. Turning now to your general proposals, in dealing with your proposals for import duties it has been brought out by the President, Sir Manekjee Dadhabhoy and Mr. Jamnadas Dwarkadas that the effects will be an increase in the cost of commodities here. And I understood you to say that there will be no great harm in that for the consumer could economise and go without some of the articles imported. Well, we have heard a good deal of the poverty of the Indian consumers. I do not want to pursue that. I want to ascertain your views as to its effect on one very large class of consumers who are also producers, namely the agriculturists. I take it that your system of heavy import duties would increase the cost of anything that the agriculturist has to purchase. You also propose, I understand, export duties on all agricultural products which would tend to reduce the income of the agriculturist. Won't your system hit the agriculturist very hard ?

A. I have not suggested very heavy export duties anywhere. What I have suggested is absolutely what I call pirime agricultural stuff such as oil seeds. I will say straight away that when I say prime agricultural products I mean those on which after it leaves the fields a certain amount of labour has been devoted.

19783. *Q.* A certain amount of labour has been devoted after it has left the field ?

A. Yes.

19784. *Q.* You mean by the word 'Prime', manufactured products ?

A. I mean the product as it leaves the field.

19785. *Q.* 'As far as possible export duties should be levied on absolutely raw stuff.'

A. By that I mean paddy with reference to rice.

19786. *Q.* Quite so. I ask you, won't this combined system of heavy import duties with export duties on raw products hit the agriculturist population very hard ?

A. I am inclined to think that if the measures are carried out as suggested here there would be a considerable amount of demand for labour created which demand would be met by taking away the agriculturist from very crowded agricultural areas where they are working at present on very small and uneconomic holdings. It would also raise the wages of a very large class of landless labourers. If a few more rice mills were put up in this country for dealing with paddy, a local market would be created and there would be better returns for the agriculturists. The wages would also improve, and as I suggested the power of sustaining would also increase.

19787. *Q.* You do not mean that high wages necessarily follow on high prices.

A. No. The demand for labour means demand for higher wages.

19788. *Q.* You know the economic theory that a rise in wages depends upon the efficiency of labour ?

A. If there is a demand for labour, if there is an increase in the demand for labour, the wages are bound to go up, and I say that by the various measures involved in this scheme there would be a considerable demand for labour which would raise wages.

19789. *Q.* I do not want to go into this question because I was not considering the case of agricultural labour. I asked you how your system would affect the agricultural producer.

A. So far as the producer is concerned he will have the advantage of the creation of a local market for his product. There will be a competition between the millowner and the exporter, and the agriculturist will get a very good price on account of this competition and his conditions would to that extent be improved.

19790. *Q.* Do you tell me that if you stop export of paddy the price of paddy would be raised ?

A. I do not stop the export. I only suggest 5 per cent. export duty. If you put 5 per cent. export duty, to that extent the local people who are grinding rice in the mills would have an advantage and they would be extending their works and to that extent the agriculturist would find a better market for his produce in India. He would not be affected by the 5 per cent. export duty.

19791. *Q.* You maintain that the reducing of exports would increase the internal price ?

A. Not reducing exports but improvement in the organisation of the present method of sale of agricultural products.

19792. *Q.* Is it not the object of your export duty to reduce exports?

A. The object of an export duty is to reduce the export of prime stuffs.

19793. *Q.* Would reducing export raise the internal price of the agricultural product?

A. The product would not go outside but would go to the local market.

19794. *Q.* I do not think I need trouble you further on your general proposals. I will only ask you about the industry in which you are personally interested, namely the rubber industry. Is there a large production of rubber at present in India?

A. Yes, there is a very large production. The export of our rubber last year was two crores.

19795. *Q.* Where is it mainly produced?

A. It is produced in Bhavnagar, Assam and Burma.

19796. *Q.* Can you tell me whether there is any difficulty in the matter of climate in manufacturing rubber?

A. There was a general impression that climate would cause difficulties. About four years ago I took up the investigation of this industry during my last two trips to Europe and I got advice from Dr. Stevens who is the leading English Chemist and Dr. Mackwell a leading German Chemist. I also found that in Buenos Ayres, in Cairo, in South Africa and various other places, Ceylon and Singapore where rubber manufacture is proceeding there has been no difficulty on the question of climate.

19797. *Q.* Is the climate in India suitable?

A. The climate in India will not cause any difficulty.

19798. *Sir Manakjee Dadhabhoy*:—Apart from the places you have mentioned, can you grow rubber in any part of India?

A. I have not investigated the problem of growing rubber. So I cannot tell first hand about the manufacture.

19799. *Mr. Mant.* You do not anticipate any difficulty?

A. No.

19800. *Q.* Have you proved it by actul trial? Is your concern turning out manufactures?

A. No, it will be turning out next month.

19801. *Q.* You have not yet proved it by actual experiment?

A. No.

19802. *Mr. Birla*:—Mr. Subedar, I understand you are trying to put before the Commission what you honestly believe to be in the best interests of the country. But what I feel is this, that in your enthusiasm perhaps you had gone a little out of the way what we may call to extremes, and therefore I would be very much obliged if you can satisfy me on some of the points. You advocate protection and very heavy tariffs?

A. Yes on certain items.

19803. *Q.* You advocate on piece goods an import duty of 100 per cent.

A. On piece goods yes.

19804. *Q.* Don't you think it is rather prohibitive? It will perhaps totally stop imports.

A. No, I do not think it will stop import of piece goods from foreign countries totally, but I certainly think it would give tremendous encouragement to the local textile industry, and in the matter of prices this country has borne an increase of price from 2 As. a yard to 11 As. a yard something like 550 per cent. Now that the prices are falling a taxation of this kind will not lead to very high increase. I think this period is an excellent opportunity for the imposition of this duty so as to rehabilitate the position here at home.

19805. *Q.* Do you think as a practical business man that the foreigners will be able to sell their goods after paying 100 per cent. duty? Do you think that they will be able to compete with Indian manufacturers and sell their manufactures in this country after paying 100 per cent.?

A. I hope they will not be able to compete with the mills of this country. If they did, I would suggest a further taxation so as to meet their competition.

19806. *Q.* That means more or less total prohibition. Do you want that?

A. I don't want total prohibition. If I wanted total prohibition I should have said so. By this 100 per cent. the prices will be increased. On account of the rise in prices some people who are at present using finer qualities of cloth would be induced to buy inferior quality of cloth, that is cloth of lower counts which are capable of being produced locally in the country.

19807. *Q.* You think that there will be a rise in prices in this country that will encourage the capitalists to come forward and establish new industries for producing finer counts?

A. Yes.

19808. *Q.* If such industries are established in this country under the 100 per cent. tariff, don't you think they will not sell their goods at cheaper rates than the imports from foreign countries?

A. I think they would.

19809. *Q.* Then how do you think that in spite of the 100 per cent. duty the foreigner will be able to sell his products in this country?

A. New factories will be started which would be able to produce fine counts. Till these factories grow up to their full capacity of production, let us say 2, 3 or 5 years, the foreigner will be able to sell his cloth if those factories do not supply the whole demand. But when we reach the stage when the Indian factories supply the whole demand then the foreigner will not be able to sell if there is a 100 per cent. duty.

19810. *Q.* Your ambition is that eventually you should get rid of this foreign import. Is not that your ambition?

A. I think that this is a poor country and we should use what can be produced locally.

19811. *Q.* Supposing for five years there were no imports from foreign countries don't you think it will affect very largely the revenue of the Government?

A. The Government revenue would then be made up, if and when we come to that position when we are not taking one single article from abroad, I think that position can only be reached when the industry of this country extends to such an extent that it is self-reliant. Then the Government can raise revenue by direct taxation or by any other form that may be advisable.

19812. *Q.* Do you think it is possible?

A. Yes.

19813. *Q.* Then what you want is that the industries should be protected by heavy import duties, by heavy export duties and by subsidies. If you want to prohibit totally foreign imports, the Government revenue will suffer and I do not understand how Government will be able to give any subsidy at all to those industries which deserve such assistance. That is my fear.

A. If you ask me as a question of public finance, what are the other sources from which Government may raise revenue...

19814. *Q.* Because you yourself have said that such revenues should be earmarked for giving subsidies to other industries.

A. When I suggested revenues, I referred to duty on machinery. There are certain objections to a duty on machinery and therefore I said a very moderate duty, say about 10 per cent. may be taken from machinery. After all 10 per cent. machinery duty is not very much considering the very large fluctuations in the prices of machinery ranging from 100 to 350 per cent. A moderate duty of 10 per cent. will not do any harm except perhaps it will give encouragement to the engineering works which will try to produce the machinery here.

19815. *Q.* Do you think such a complicated scheme as you put forward before the Commission will be practicable?

A. I think it is no more complicated than the schemes which have been worked out in other countries.

19816. *Q.* Then it has been suggested to us that if industries are bolstered up in this way at the cost of the consumers perhaps it will bring about an industrial crisis eventually and will defeat its own end. Don't you think there is a good deal of force in that argument?

A. When you say industrial crisis do you mean labour or financial crisis?

19817. *Q.* The capitalists will begin to produce much more goods than can be consumed by the country, then naturally they will have to cut down their prices to such an extent that there is bound to be some crisis.

A. That contingency I do not think is likely to be reached within the next few years. If such a stage is reached then there will be organisations growing up which will cope with it.

19818. *Q.* I will take the jute industry. During the war time the price of jute cloth and jute bags rose nearly to 300 and 400 per cent. and the result was that there was a great expansion in the jute industry. They began to produce in such large quantities that the world is not now able to consume all their production and the result is that the jute mills have to work only four days in the week. Don't you expect the same crisis in other industries if we are to build up our industries under such heavy protective walls?

A. I do not anticipate the same difficulties because the industries under these conditions largely cater for the

Indian markets and there is not likely to be over-production.

19819. *Q.* You should not forget that the jute industry is a monopoly of Bengal.

A. The production of raw material is the monopoly and not the finished product.

19820. *Q.* Now I find that you condemn excise duty on principle?

A. Yes.

19821. *Q.* And you would like it to be removed as soon as possible.

A. Yes.

19822. *Q.* It has been suggested that in the interest of the handloom industry it should be maintained. What is your view about it?

A. I do not think excise duty offers any protection to the handloom industry. Theoretically it goes without saying that anything which impedes the sale of factory products helps the handloom industry.

19823. *Q.* You think there is no serious competition between handloom industry and the mill industry?

A. I think the field is very much restricted and that the 3½ per cent. gives hardly any protection. If the Government wanted to protect the handloom industry I say it should be by giving special facilities to handloom weavers to get hold of their yarn, to sell their articles without the interference of middlemen and so on. That would protect the handloom weaver much better than the 3½ per cent. excise. Further I object to excise duty because I regard it as a bad method of taxation as I have explained this morning. I think it bears much more heavily on the mills that are started now than on those which have been established in old days.

19824. *Q.* Then to support the handloom industry would you like to get the import of yarn free of duty?

A. I should not like to deal with the import of yarn as a whole. I should split it up in the counts according to the extent to which the Indian mills can produce. I should like the lower counts to be taxed much more than the higher counts.

19825. *Q.* You won't like yarn to be imported free?

A. I don't think the import of yarn should be free.

Mr. Birla.

19826. *Q.* I understood from your answer to Mr. Jamnadas that you have qualified your answer so far as the taxation of machinery was concerned.

A. Provided that a 100 per cent. subsidy on every machine produced in this country was given to the engineering firms by the Government.

19827. *Q.* Don't you think that will be complicated?

A. I think the administrative machinery is always complicated, but I think in the interests of the industry it might be done.

19828. *Q.* There might be corruption. Everybody will approach Government to get the subsidy in one way or other. It is quite a pleasant thing to get subsidies, but it will be a very difficult thing for Government to adjust the claims of the several cases.

A. In doing a good thing I should not be deterred by the difficulty of Government. I think an efficient Government would always find means of minimising the difficulty.

19829. *Q.* With reference to Question No. 14 you say "The discrimination as to on which industry this country can economically concentrate on account of low differential costs can only be taken after ten years of sustained effort by a commission appointed by a national Indian Government and not a mixed commission like the present one sitting under the present unfavourable circumstances." I would like to know what you really mean by this.

A. With regard to the first part of that sentence, I think we are living in somewhat abnormal times, and the abnormal conditions may be increased if very energetic measures are taken for the development of industries. The conditions in the whole world are more or less abnormal, and sitting to-day it would be difficult to estimate as to on which industry we can economically concentrate on account of low differential costs. Therefore I think that a decision can not be taken now, and that it should be deferred for 10 years. Having been deferred for 10 years I think it could be considered under more favourable conditions, because conditions will be normal, and under more favourable political circumstances as well. I have said this because this Commission could not take into account the political issues. But I think a national Commission sitting after 10 years to consider on national lines would be sitting under much more favourable conditions.

19830. *Q.* What do you mean by saying a mixed Commission like the present one?

A. If you like to press me on the point, I mean a Commission of Englishmen and Indians.

19831. *Q.* You mean a Commission sitting after 10 years would consist entirely of Indians? What discrimination would you make between this Commission and the future Commission?

A. It is very difficult to enter into the womb of the future. I expect the political conditions to be materially different after 10 years.

19832. *Q.* In your answer to question 18 you deal with the question of foreign capital. It appears to me that you object to foreign capital coming into this country without any restriction. Will you kindly let me know if in any country there are definite laws against foreigners establishing industries?

A. The situation is not the same in other countries as it is in India. In every country an industrial concern, when it is established, is subject to the ordinary laws of that country: the Factory Act, which involves inspection the Boiler Act, all laws governing the working of labour and working at night. It is also subject, if it is a joint stock company, to the laws by which the accounts have to be put in proper form to be registered. It is also subject to the laws of the country in the matter of taxation. The concern bears all the ordinary taxation. All these laws ordinarily should suffice, but I see that in India we may have to pass a special law still further to stop any unfair attack on the resources of the country by outsiders. It is wrong to say that I do not want foreign capital. I think foreign capital will come to this country. I think with such restrictions as I have suggested this country instead of being a very favourable trading market as it is now regarded, will be regarded as a very favourable industrial field, and the foreigners will come here, I think. If they come, I should certainly have their interests properly safeguarded. I should assure to them scrupulous justice about future prospects, in fact in every respect. What I have written here should not be regarded as meaning that I am hostile to their entry in this country. I simply suggest certain restrictions, and I think that apart from the ordinary laws of the country it may be necessary to keep a distinct register of these concerns, to see that they do not do anything that may not be in the national interest or do any permanent harm to this country for their own small immediate advantage.

19833. *Q.* That is, you would like to have some legislation?

A. If it is considered necessary and these ordinary provisions do not put sufficient power in the hands of Government to deal with the concerns, then I should want some legislation.

19834. *Q.* Would you still object if foreigners establish here under the present law?

A. I think the present law is deficient in one respect. The Government should have power to deal with any emergency which may arise. If the Government of the country should at any time take over an industry or concern they should take it over at a fair price. They should err on the side of generosity, because the idea is not to swallow anybody's concern.

19835. *Q.* If the law is passed what will be your attitude towards foreigners establishing industries?

A. I am contrasting the condition under which a factory is working at a premium and sending goods here and a factory in Calcutta or Bombay producing here. I would very much like that a factory instead of producing at a premium should produce locally. I should certainly welcome any firms that like to establish themselves in this country. But I think that a situation might arise in which Government might without assigning any reason want to take over an industry or concern, in which case they should receive compensation. The compensation will be a fair estimate of the assets plus 10 per cent as extra bonus for being deprived of their concerns in this country.

19836. *Q.* Then you say in the same paragraph that in certain trades it may be desirable to impose further restrictions and lay down that certain specified industries should not be handled by foreigners at all. Would you kindly explain which industries you mean?

A. I mention this morning the manufacture of munitions. There may be other things also. For example we have got 6 cement companies now. I would not allow a foreign company to come and establish a concern, because we have enough companies to deal with our supplies and even more. If there was a foreign company working it would only create more difficulties. If it was more efficient it would kill some of the existing concerns. They would

try to be guided by their own interests and it would be a national disadvantage. We should not allow a foreign firm to compete at a very unfair competitive price. Foreign concerns might establish here working in conjunction with their own home factories and might want to forego some of their profits. They might make up the loss at this end by the profits at the other end. This must be looked upon as the same thing as dumping. In such a case I think Government should have every power to impose restrictions or take over the concerns on fair terms

19837. *Q.* But what can happen in the case of cement I think can happen in other industries too.

A. Yes. Therefore Government should have the necessary power to deal with such things. I think the most fair way would be to acquire the concerns at a fair price.

19838. *Q.* Would you prefer that the foreigners should manufacture their goods in India rather than say in Birmingham?

A. Yes, and under a free trade regime send them out here.

19139. *Q.* Because you think there will be a good chance of your labour being employed by foreigners?

A. Yes.

19840. *Q.* What more advantages, apart from the employment of labour, do you think you would have if you establish industries under protection?

A. So far as Bombay is concerned, I think we have been in extremely friendly relations with the Europeans. I think to a certain extent there will be co-operation and joint working. Wherever there is the association of Indians with Europeans in enterprises it is a distinct gain to us in the higher range of business. It would also create more employment for the middle classes, apart from the working classes to whom you referred. The crux of the whole thing is that the revenues of the country would improve by the taxes which these concerns when established in India would pay.

19841. *Q.* In regard to shipping, do you want also the same restrictions about foreigners in the establishment of shipping companies?

A. With regard to shipping the restrictions which I have suggested do not work out on the same lines. I am suggesting a 20 per cent. tax on the registration of every ship in India. Once it is registered it gets certain concessions in the shape of lower dock dues and wharfage charges. For these advantages foreign shipping companies might register in India and keep ships registered here. The revenues of the State would improve, and a 20 per cent. tax would give protection to the ship-building industry in India. If a ship is built in India it does not pay the 20 per cent. If it is made abroad, it pays. I do not make the same violent discrimination that I made in the case of other industries with regard to foreign shipping companies. I want them merely to register here and be subject to the laws of this country.

19842. *Q.* You do not fear any serious competition between the companies managed by Indians and those managed by Europeans?

A. I fear serious competition in so far as that competition is unfair. The older European companies have got large resources which they are using unfairly in the matter of rebate. They are penalising the Indian consignee who would but for the rebate send his goods by an Indian steamship company.

19843. *Q.* What measures would you take to find out whether such things are happening?

A. Such things are happening. My scheme will enable the State to control shipping in the national interest. I mean for coasting purposes. No ships not registered in India should be allowed to ply.

19844. *Q.* Foreign companies can come and register in India subject to the Indian rupee capital and subject to the income tax of this country. That does not stop the unfair competition.

A. It is an advantage to the revenues of the country. It is an advantage in the sense that people would be associated in the administration in a smaller or larger capacity. So far as competition between Indian and other companies is concerned it would come under the restraint of trade or unfair competition to which I referred when we were talking about monopoly. The Commission has put a question asking the witness whether he expects combinations and monopolies and I have said that combinations and monopolies can be squeezed down.

19845. *Q.* Why do you want to impose a duty on salt? As you know salt is consumed by the poorer classes of this country. In the past the duty has been very unpopular. Do you think it will be a sound policy to increase the duty on salt?

A. I think the salt production in India could be speeded up. The salt which is imported is about 30 to 40 per cent. of the total production, and 30 per cent. increase in the production of any particular industry is not a very great difficulty. My impression is that Indian made salt is not used in Calcutta because the freight conditions from where it could be produced on the coast of Bombay have been prohibitive until now. If the coasting trade is confined to ships registered in India and if the other measures that I have suggested are taken, then I do not think we will not be able to produce salt to meet all our requirements. I want to tax salt not because the poor would be taxed but because I think we must be self-sufficient in regard to salt.

19846. *Q.* Do you suggest that Government should encourage Indian firms to manufacture salt?

A. If it forms part of the general industrial policy (according to recommendations of the Industrial Commission) that the particular industry should be encouraged by selecting a suitable firm to manufacture under restricted conditions, then I certainly would not object. But I would sooner see the manufacture of salt expanded than have imports from foreign countries.

19847. *Q.* Why do you want an import duty on coal? You know that coal is a very important thing for the development of industries. To my mind it should come in free of duty.

A. I am suggesting that the imported coal should be subject to the minimum tariff, the lowest tariff.

19848. *Q.* But why should there be any duty at all if it is required for the development of industries?

A. I think the coal production could be speeded up very much if the coal companies found that they could make some profit. They have been more or less in a bad way, and any encouragement that we may give them will be deserving. If the coal policy is a little bit revised and the railway rates are also revised in the interests of the industry, the industry would I think be compensated to a certain extent. For the increase in the price of coal there would be compensation in the reduction of the railway rates.

19849. *Q.* It has been suggested to us by some witnesses in Calcutta that the quantity of coal in reserve is not inexhaustible and therefore there should be no duty at all on the import of coal from foreign countries.

A. However, that is my view that Indian coal production could be speeded up. There are large deposits of coal undeveloped.

Mr. Rhodes.

19850. *Q.* You make a statement here that no industry can survive if it is economically unsound.

A. Yes, with regard to handlooms.

19851. *Q.* You make it as a sort of general statement.

A. That is with reference to the hand loom industry.

19852. *Q.* Do you give that as a thing of general application?

A. As a general economic principle it is certainly true that under conditions of open competition that competitor who cannot produce on the same basis as his competitor must go under.

19853. *Q.* Under the stimulus of a rather high tariff is not there a danger of keeping such economically unsound industries?

A. There may be numerous unsound concerns arising, but if you leave competition free they would be cut off by their own unsoundness. It is just the same thing under the present free trade conditions.

19854. *Q.* Within that tariff wall?

A. Yes, so long as competitive conditions are not restricted.

19855. *Q.* To take one of your own instances, you state that if motor cars come in they should be charged 100 per cent. duty. But if they are made up in England, and then pulled to pieces and reassembled out here again they should pay 40 per cent. only. Do you regard it as an economically sound industry? Would it be really to the benefit of India?

A. I am suggesting 60 per cent. margin in favour of the assembling factories here, because I want them to be established here.

19856. *Q.* My point is not that. I am looking at the question purely from the economic point of view. If a motor car after being built is broken up, shipped and then reassembled out here, and if I am going to buy it I have got to pay for all the breaking up and reassembling. It seems to me it would be cheaper for me to pay for the motor car to come out as originally designed.

A. I am afraid that was not my meaning. What I meant was an organisation of the industry such as you have got in Coventry for bicycles and in Switzerland for watches.

In these places separate parts are made by separate people. The assembling concern is quite different from these. I do not suggest that they should be made up in England. I suggest that they should be built in India. So any English firm that might like to come and establish here can get all the separate parts from either their own factories in England or purchase from other factories and put them together. In doing so they would probably not think it desirable to get Ford cars and things of that kind.

19857. *Q.* Obviously when I want a motor car I will buy a recognised make of car. If it is to be pulled to pieces and then put together again I ask you "Is that an economically sound industry?" I have got to pay not only the man out here for assembling it, but also the man in England who pulls it to pieces.

A. If you want a particular make of motor car then you will pay the price for it. If on the other hand there are several English firms established in India who are sending out motor cars here and assemble them here after they have acquired some little reputation you would think it cheaper to get these cars. You would get them 50 per cent. less than if you insisted on these being completely made abroad.

19858. *Q.* I am in a little difficulty about your cement. You want to put a 100 per cent. duty on imported cement. You also say that it will raise the price slightly in India. You also tell us that we can expect to do some export business in cement. If the duty raises the price, it will raise it above that at which we can import cement from abroad. Therefore I ask: How are you going to do export trade in competition with the cement from abroad?

A. The cement trade will be carried on under competitive conditions here, and the manufacturers will be anxious to sell their output rather than allow their rivals to sell. Therefore I do not think the price will rise. If the factories produce enough to satisfy the needs of the country, then I do not think the duty will raise the price in this country.

19859. *Q.* To come to this fascinating question of subsidies, with regard to matches you say that they should be rated at the minimum tariff provided that a subsidy of 100 per cent. gradually diminishing to zero over a period of ten years is given for the production of local matches. Supposing it costs Rs. 2 to manufacture a gross of matches, and I start the manufacture of matches here, I take it that Government will give me Rs. 2 for every gross I manufacture, and that I shall also have a gross of matches as well. Is that what you contemplate?

A. Yes. You would get Rs. 2 in the first year. You would get it diminishing up to zero in 10 years.

19860. *Q.* In the case of chemicals, where you recommend a 100 per cent. subsidy, is it your proposition that the whole cost of manufacture should be paid to me and I can do what I like with the product?

A. Yes. I shall pay twice over. Instead of regarding India as a favourite field for selling their stuff I want the foreigners to regard this as a favourite field for industrial enterprises.

19861. *Q. Mr. Seshagin Ayyar.*—I take it that when you recommend the import duties you want them to be imposed at once, and that you do not want them to be taken over a number of years. You are not in favour of a graduated scale of duties.

A. Yes. It the measures which the Industrial Commission recommended are carried out and the various other measures which I have recommended are carried out simultaneously, I think, we will reduce the prices of various things.

19862. *Q.* Take for example the cotton industry. You recommend a duty of 100 per cent. and you would have it imposed at once.

A. Yes.

19863. *Q.* Supposing you do it, it would have the result of giving a fillip to the trade in this country.

A. Yes.

19864. *Q.* Supposing almost every one goes in for the home production, will there be enough to meet the want?

A. Yes. We have been under-estimating the capacity of the Indian mills to increase their production. Since 1899 we have been producing five times as much and since 1909 we have doubled the production. If therefore this extraordinary set of encouragement and conditions is secured I think that the mill industry could double their production.

19865. *Q.* But as a matter of fact the production to-day of the mill industry is not able to clothe more than a third of the population and we have to depend for the other two thirds on foreign countries like Japan. You can give a fillip to the home industries by this duty but the result of it will be that for the one-third there will be a severe competition in the whole of India.

A. The mill industry in India at present provides more than half the requirements of this country.

19866. *Q.* My point is this, that if you are going to impose such a heavy duty you will find that the country is not able to supply the wants of all its inhabitants. Are you prepared to face that contingency?

A. I think the imposition of a heavy duty would be a great help. Immediately we might not be able to supply all our wants, and for that we have stocks of foreign piecegoods in the country sufficient to enable us to tide over the transition period of two years, during which time production would increase very rapidly. I have great confidence in the capacity of the Indian mills to increase their output.

19867. *Q.* Within two years?

A. Yes, within two years.

19868. *Q.* Do you know how much is stored of foreign piecegoods and how long it will last?

A. It would last for 18 months.

19869. *Q.* Are they English or Japanese goods?

A. Both.

19870. *Q.* You suggest that the imposition of 100 per cent. duty on the imported article would not in the least have the effect of making people go naked.

A. Far from it. I don't think that taking the agricultural population as a whole, they would have to bear any very heavy extra cost.

19871. *Q.* I want to take you upon one subject, that is upon the handloom industry. I think that you just now told Mr. Mant that it is economically sound that it should not be encouraged.

A. I said that if it was not economically sound, it would disappear.

19872. *Q.* Why do you say that the handloom industry is not economical?

A. I have not said so. The handloom industry produces some beautiful stuff as well as coarse stuff. So far as the coarse stuff is concerned, I don't think that it would be paying in the long run. We want our labour for so many other purposes. As regards artistic or special stuff, the handloom industry should be fostered and should be deliberately encouraged.

19873. *Q.* Do you know the extent to which the handloom industry supplies coarse cloth in this country?

A. Certainly.

19874. *Q.* How much?

A. You mean the actual percentage of supplies. We have not definite means except by the output of yarn to arrive at the actual percentage.

19875. *Q.* About 30 per cent., I think.

A. Yes.

19876. *Q.* Do you think that those weavers who supply 30 per cent. of the coarse cloth should not be encouraged.

A. I have suggested various means, that yarn should be given at wholesale prices for their products, that facilities should be given to them about markets, that they should be assisted in the matter of organisation, etc. I think that for about a generation to come we can do with hand work, which I anticipate in course of time to be gradually transferred from coarse to the better stuff and once transferred to the better qualities, it will remain.

19877. *Q.* I want you to confine your attention to one particular point, *i.e.*, competition between the handloom industry and the powerloom industry. Do you suggest that there should be no protection given to the handloom industry?

A. I have suggested various ways of protecting the industry. The only way in which the Government claim to have protected the industry is by the imposition of the excise duty. I have dealt with that in my memorandum. It is a very bad form of giving encouragement to the handloom industry. 4 or 5 per cent. does not really go very far. The way in which the weavers at present buy their yarn with half a dozen middlemen who pocket the profits should be improved. I think that the handloom industry should be encouraged by direct subsidy, direct encouragement through co-operative credit societies and so on.

19878. *Q.* Subsidies mean money from the general taxpayers.

A. Yes.

19879. *Q.* You would ask the general tax payer to subsidise the handloom industry in preference to any tax which may be levied upon the powerloom industry.

A. That is not a statement of my views. My views are that I would like the handloom industry to be assisted because I don't like millions of hard working men to be displaced by the fierce competition of the factory type. In

order that they should be assisted in their efforts and in order that they should not feel the distress, I would give this direct encouragement and I would not grudge to give it from the general treasury. I take it that the textile industry is contributing to the general treasury.

19880. *Q.* Other people are also contributing.

A. Yes.

19881. *Q.* What I say is that as compared with the powerloom industry the labour in the handloom industry costs more.

A. Yes.

19882. *Q.* If you take away the protection of 3½ per cent excise duty, it would put the industry in a far worse position because it is calculated by an expert in these matters that there is a difference of 5 per cent. in the cost of labour between the handloom industry and the mill industry.

A. My objection to the excise duty arises from the origin of the excise duty. Even if it were to protect the handloom industry, I want it to be removed because it was levied at the dictation of the outside interest. As regards the protection to be given to the handloom industry, tax the industry in any other way if you like, but the excise duty must be removed.

19883. *Q.* Supposing we recommend the removal of the excise duty because it had a very bad origin, and suggest another tax giving it a different name in order to protect the handloom, would that satisfy you?

A. I would suggest another form if you want a definite suggestion from me. I would suggest that Government should establish in Bombay and in various centres of textiles such as Cawnpore, etc., a purchasing agency for the purchase of yarn at wholesale prices and without charging a single penny in the way of establishment charges give it over to the weavers, and *vice versâ*.

19884. *Q.* That is to say, there should be no duty on yarn.

A. Not only that, but the entire middlemen's organisation should go.

19885. *Q.* Who should bear the expense?

A. It would fall on the textile industry in the interests of the handloom workers.

19886. *Q.* The difficulty is that you are going to tax the general tax-payers for what could easily be got from the millowners who are making profits, that is my point.

A. On the profits you are taking money in the shape of income tax from them.

19887. *Q.* In order to give protection to the handloom industry you would not like to deal directly with the powerloom industry but would rather go to the general tax-payers.

A. Textile is the main staple industry of the country and would not refuse to bear its burden.

19888. *Q.* If you increase the duties, how can you say that the consumer would not suffer? If you put an import duty upon cotton goods and if the importer has to thereby raise his price, the local manufacturer who is not a philanthropist in any sense would also like to raise the prices of his own goods and would this not have the effect of making it impossible for the consumer to purchase cheaply?

A. The local manufacturer would raise the prices if he was a monopolist but the conditions of competition are there; Ahmedabad could undersell Bombay and even in Bombay one mill will try to undersell another. Directly this happens, the other mill also will produce that sort and try to undersell the other. Thus competition is going on keenly.

19889. *Q.* Take the case of Japan which puts into this country coarse cloths. If these articles are subjected to heavy import duties, naturally their prices will go up and the local millowners also will follow suit. The result of it will be that the man who has to wear the cloth will have to pay a higher price.

A. I don't think that it would be the consequence. I take it that the Bombay industry is on a competitive basis and I also take it that enough is produced. The Bombay millowners cannot raise the price beyond the market rate and the market will not pay beyond a certain limit. In this way 90 per cent. of the people are protected. I have suggested a higher duty on cloths made of higher counts of yarn and these are consumed by people who can pay.

19890. *Q.* I am speaking of the lower counts. Would not the people in the lower ranks who use these Japanese cloths be affected in consequence of the rise in price of the Japanese goods and the responsive rise in price of the Indian goods?

A. I don't think so.

19891. *Mr. Coyajee*:—*Q.* If you will allow me to talk to you about the procedure of introducing protection, your idea is to put heavy duties on almost all manufactures and products coming from abroad so as to prepare the soil for the appearance of local industries.

A. Not heavy duties but duties as scheduled, 20, 40, etc.

19892. *Q.* May I contrast with the procedure suggested by you another procedure which has been brought forward before the Commission, that we should have most of our duties on the maximum revenue lines and give extra protection to promising industries so that our protectionist experiment might soon result in success of those industries. This would bring confidence to the people for developing other industries.

A. I do not suggest that the other method cannot also lead to the same results in the long run. I only suggest what is necessary in India is to establish an atmosphere of confidence in which industrialists feel that they have the community behind them. I want that confidence to be established without which I don't think we can go very far. If however that confidence could be brought about by any other means than the duties suggested there is no essential objection. The main thing is protection and another proper essential is the atmosphere of confidence.

19893. *Q.* Your objections to the excise duty are the historical origin and that it taxes mills which make subnormal profits, let me say.

A. Yes.

19894. *Q.* You would prefer a tax on the net profits.

A. I would, as a more scientific manner of taxing.

19895. *Q.* Then coming to the matter of foreign firms coming to India, what would be your opinion as to the various restrictions which have been suggested by some people who have said that 50 per cent. of the capital should be subscribed by Indians. Do you think that it is a practical proposition?

A. I have suggested that as one method. I think that the foreign capitalists can say that they would not start a joint stock company but would establish proprietary companies in which case there could conceivably be other means of checking the thing. I would certainly see that the foreign establishments were subjected in all matters to the laws of the country and contributed towards the revenue from the profits which they made in this country.

19896. *Q.* That is true, but would not you rely more on a procedure which has been repeatedly adopted in India and which has had valuable results, I mean the procedure taken about Indian railways which are built with foreign capital. What we have done is to allow them a certain period say 20 or 25 years during which time they cannot be interfered with. Later on Government has the option of purchasing them at a fair valuation by arbitration or in some other way. Don't you think that this procedure has in itself been just and has worked well and might be extended if necessary.

A. I would not want to express any opinion as to the justice of it in the matter of railways. I would certainly say that so far as the industrial organisations are concerned if the Government gave them any distinct form of encouragement either in the matter of purchasing certain portions of their output or in any other way directly or indirectly I would not oppose it as such, but I would want the Government of this country to have the power of taking away that factory at any time without notice and paying a very fair value. The process of reaching this fair value may be either through the books of the company or by arbitration, one member appointed by the Government, another by the company and an umpire, or by any other suitable and very equitable manner that could be devised but I would want the Government to have a distinct power of taking away the concern. This would in my opinion secure to a very large extent that control of the concern in national interests, if the concern was doing anything which is prejudicial.

19897. *Q.* If you want industrial developments to take place on the scale which you propose, many hundred crores worth of capital would be required and consequently we shall require to a much larger extent than ever foreign capital and foreign powers of organisation.

A. Certainly. I have stated in my memorandum and I will repeat it here that an absolutely fair treatment and absolute guarantee of justice should be given to these people if they come and establish here.

19898. *Sir Montague Webb*:—*Q.* Towards the end of your reply to Question No. 15, you say "when the industrialists feel that they have got the community behind them, the present mentality of depending on the Government for everything will be dissipated in a short time." Do I understand from that that you regard it as an advantage or disadvantage that the Indian business community are inclined to depend upon Government for everything?

A. I have stated that in reply to the question of the Commission in which they ask whether it would be difficult to remove the tariffs hereafter if once the encouragement

by way of tariff were given. I think that it would be possible to remove them hereafter because once the industrialists are on their feet, I think they would be looking less and less to Government for protection.

19899. *Q.* That was not my question. My question was whether you regard the present Indian mentality of depending upon Government as an advantage or a disadvantage to this country. These are your words "the present mentality of depending on the Government for everything will be dissipated." Is this a good thing or a bad thing?

A. It is certainly a disadvantage.

19900. *Q.* That is what appears. I want to ask you whether you do not think that the system which you are now advocating by which the agriculturist cannot move his produce until it goes over the railways the rates of which have been settled by Government, he cannot export it except under duties fixed by Government, he cannot live or breathe except under a system of regulations by Government, is not calculated to greatly increase the mentality of depending upon the Government?

A. This distinction, very natural distinction, arises because the Government is not the community. The Government as it is organised does not reflect the feelings and the opinions of the community, I want that distinction to be done away with. I take it that in every other country the Government and the community are the same. The Government is the executive of the community. When that position is reached in India, this will not arise.

19901. *Q.* Not even if Government were to control exports and imports, rates of transhipment, pioneer factories, in fact every single thing connected with trade! Under a system of this control the whole county it appears to me will be reduced to sheer helplessness. It is one of the beliefs of those who like myself were reared amidst the atmosphere of free trade, that the least the interference by Government the better. Our belief is let Government stand aside and not interfere with anything at all, then you get a community who are accustomed to rely entirely on their own industry, on their own enterprise and not look to Government for anything at all.

A. It is a very beautiful state of things if we can reach it. In England you have reached that stage and it is a very good system by which an ordinary merchant, a businessman or an industrialist does not look to Government for he has got that confidence. Other countries which are in a less advanced state of development, have adopted this system by which the Government as representing the concentrated wisdom of the community come and assist industries at various stages from an unfair fight, from an unfair militant trade as it is carried on in India. It has been used in Germany, Japan and America. It has been adopted in every other country in the world and in India also it may be necessary.

19902. *Q.* Do you not consider that the Indian mercantile community are already making magnificent progress amidst open competition and with non-interference by Government. I am under the impression that this Presidency contains one of the finest group of industries in the British Empire outside the United Kingdom that Bengal contains a group of manufactories the best in the world of their kind and that there are many other parts of this country where industries are springing up and industrial progress is going forward at a rate more rapid than anybody could have conceived possible a few years ago; and all this is going forward under the stimulus of the keenest competition. It seems to me that the country is making very good progress under these conditions. I am surprised therefore on reading your paper to hear that the country is going to the dogs, and industrial progress is being ruined at Bombay.

A. That has been the impression created on the minds of the members of this Commission because I have suggested higher duties than any other witness has done. My object in advocating higher duties is to make the industrialists feel more confident, but in all this magnificent progress which you have described that Bombay has made—I am much obliged to you for the compliment you paid to Bombay—the industrialists do not feel that they have got the community behind them in the real sense.

19903. *Q.* Are you referring to the industrial community of Bombay? I know none of them myself that feel as you have described. Who are the industrialists that are so afraid?

A. I am referring to the industrial community in Bombay, and the expressions of their dissatisfaction you will find in the reports of the Mill-Owners' Association and of the Indian Merchants' Chamber, and every other body representing that community.

19904. *Q.* They are the most robust mercantile community in India, and the most successful, I believe! There is one more question. May I ask you, Mr. Subedar, exactly what business experience you have had yourself?

A. I have been for the last six years associated in business of various kinds. I had a small business in Calcutta before I came to Bombay, and since I came here I have been associated with two of the largest textile factories in India.

19905. *Q.* Have you ever founded a successful industrial enterprise?

A. I am too young, but I hope, Sir Monatgu, that when I have attained your age, I will have founded more than one.

19906. *Q.* And in this keen air of competition, you! and your confreres in Bombay are all progressing very well

A. I do not despair. Even in adverse conditions we people in Bombay can go on, but if we are encouraged a little, we can go on much better.

19907. *Mr. T. V. Seshagiri Iyer*:—Other provinces might do better.

A. I do not think I was offending the other provinces in any way. I think the next line of advance in the cotton industry is in Madras where better cotton is grown. And if railway rates are reduced, Madras is the centre where they can have half a dozen or more mills.

19908. *Sir Montagu Webb*:—*Q.* So that I gather that the majority of the opinions expressed in your paper are not arrived at very much from your own actual experience of founding industrial enterprises.

A. I have founded enterprises which are too young to give an opinion about. I have founded the Jupiter Insurance Co. and the Pioneer Rubber Co.

19909. *Q.* But your conclusions are not formed upon the working of these industries?

A. The textile mills with which I am associated are the most successful in Bombay.

19910. *Q.* But the dissatisfaction with the progress you expressed and the success of the textile industry are diametrically opposed to each other.

A. The textile industry went through various vicissitudes This industry caused the commercial community in Bombay enormous loss in direct and indirect ways. The profits they reap now are not to be reckoned as an immediate return on their capital, but the result of prolonged efforts.

19911. *Q.* That is the fate of most of the pioneer enterprises in most countries?

A. Yes.

19912. *Mr. Narottam Morarji*:—*Q.* I think in 1919 you went to England to give evidence before the Currency Commission?

A. Yes.

19913. *Q.* Did you go on your own behalf or were you sent by Government?

A. I was sent by the Government of India as a representative of the Indian mercantile community of Bombay.

19914. *Q.* In paragraph 3 of your memorandum you say: "Readjustment of railway rates and specific adjustment for special rates on the application of any industrialists who have made out the claim to the satisfaction of the Department." Have you considered the effect that many concessions would have upon the earnings of the railways?

A. I think the earnings of the railways would not be affected very much in the long run. Supposing small oil mill at Akola wants a concession for the cake which they are exporting to Bombay I do not think it will affect railway rates as whole or materially. Concessions of this kind I had in mind when I wrote this paragraph.

19915. *Q.* This morning in answer to a question by Sir Manakjee Dadabhoy you stated that you would like to put very heavy taxes on luxuries, such as good shoes and other things. Can you tell me whether any other country has levied such heavy duties on luxuries?

A. I think heavy duties on luxuries are the order of the day. Since the war every country is trying to economise. They are levying substantial duties on the sale of luxuries in every country. There is in Germany a luxury duty on the retail sale of every article and the retail shop keeper has to keep an account. In England and in France you have these duties: in fact luxury taxes are levied everywhere. Whenever a nation finds itself in financial difficulties, as I think we are finding ourselves in India to-day, the best thing is to stop the resources of the nation being frittered away in the purchase of luxuries.

19916. *Q.* To what extent do they levy?

A. They levy 10 to 15 per cent. on the retail sale in addition to whatever the article may have paid as customs duty if it is an imported article. When it is imported, in France they levy something like 50 per cent.

19917. *Q.* With regard to raw silk you say: "This should be allowed to be imported into India on the minimum tariff." I suppose you know that this is a cottage industry in Assam, Burma, Kashmir and Mysore. Now, if you put a minimum tariff will not those cottage industries suffer?

A. My impression is,—I am speaking subject to correction, because I do not know about every industry I have discussed in my answers, — my impression is that we are producing some amount of raw silk in India and it is capable of enormous expansion. If steps are taken to increase it, I do not think there will be any difficulty of the kind you mention.

19918. *Q.* With regard to rubber goods you said that there was a factory in Ceylon. When was it started? Do you know anything about it?

A. I know very little about them, but they made excellent rubber goods which were purchased by the South Indian Railway, by the Bombay Municipality and others in Bombay. These goods have been made in Ceylon and sold in India. The concern is still running.

19919. *Q.* Where is it?

A. It is in Colombo.

19920. *Q.* There is not much difference between the climate of Colombo and the climate of Bombay?

A. If there is any difference, it is in our favour.

19921. *Q.* In your paragraph No. 42 you say that living animals should bear the minimum tariff, except race horses which should bear a 100 per cent. Why do you charge 100 per cent. on race horses? Is it for revenue purposes?

A. No. I regard that horse racing in this country has exceeded the ordinary limits of sport and has now assumed a very demoralising condition. I would therefore like to stop it by a 100 per cent. duty as a deterrent.

19922. *Q.* In paragraph 49 you say that the deficiency in the production of cotton goods should be made up by over-time working. But do you know we have found difficulty in getting men to do night work?

A. I know, but in Bombay I find one of the most successful mills working 16 hours by two shifts. Their production has not shown any decline and they are doing successfully. Instead of a single 10 hour shift I suggest two shifts of 8 hours. That was the overtime I had in mind.

19923. *Q.* In your opinion what are the difficulties in the way of the successful establishment of cotton mills in this country?

A. I find that one of the difficulties is the deficiency of trained men at the top, and for their training neither the Mill-Owners' Association nor the Government of India have taken any definite steps. Whatever steps they have taken have been to turn out very inferior men. The cost of imported labour is rather heavy in this respect. Then we have to import stores on which freight and other charges have been put too high. Several of these items of stores are capable of being manufactured in this country, *e.g.*, bobbins and various other parts. On all spare parts of mill machinery there is a duty at present which I think should not exist.

19924. *Q.* Why do people prefer starting mills in Bombay?

A. Because they want to send their stuff to the interior, and if they are in Bombay they can take advantage of the port rates. That is one of the reasons why labour cost is so dear at the ports. I think the natural centres for the expansion of the cotton industry in future would be those districts where good cotton is grown and cheap labour is available. They have cotton at their door and cheap labour at their door, but the railway rates prevent their starting mills. The railway rates, as I have said in answer to a previous question, bears down on the industry.

19925. *Q.* Will you please explain what you mean when you say: "This scheme would induce foreign shipping companies to register in India and it would enable the State to control in national interest shipping not only for coasting purposes but for handling the import and export trade of the country."

A. I think if foreign shipping companies are registered in India they would contribute to the revenues of the State and we would have a very important source of revenue, because I reckon that foreign companies at present pocket 20 crores in the carrying of Indian trade. Out of these 20 crores if the State can get 1 crore it would be a great gain to the revenues. Then, so far as the coasting trade is concerned, following the line of every other country in the world we should prohibit the handling of the coasting trade by foreign companies which are not registered in India. If there is any unfair competition or if there is any combination among the powerful steamer companies to fix rates too high and so on, then the State should come down on them and tax their excess profits or ask them to revise their rates.

19926. *Q.* In answer to question No. 24, you say that a portion of the duties would be borne by foreign shipping companies. How do you expect it?

A. I expect it in this way: If duties are levied as I propose, it would have an immediate check on the importation of goods from abroad. This immediate check would be felt by the foreign manufacturers as well as by the shipping companies. The shipping companies would find that their search for freight does not meet with the same response as before, and therefore they would reduce their cost of freight. The cost of the freight is now borne by the Indian consumer, and to the extent of the reduction in freight he would benefit. So part of the duty would be indirectly paid by the shipping companies.

19927. *Q.* Is there in your opinion unfair competition in the handling of freights?

A. I think the British companies have got at present a preponderance. About 75 per cent. of the trade is handled by English ships and 21 per cent. by foreign ships.

19928. *Q.* By foreign, do you mean Japanese?

A. By foreign I mean Japanese, American, Swedish, Norwegian,—all those lines which chose to call at the Indian ports. The foreign ships do not bring enough supplies to this country. Our trade is lopsided. We buy a lot from England, and foreign ships cannot be expected to take cargo one way. If foreign shipping companies compete, they are borne down by English companies in competition. I will give an example, of what is going on at present. There are two Japanese companies competing with the B. I. S. N. & P. & O. company between Calcutta and Japan and Bombay and Japan. The result is that we have Rs. 6 per ton between Calcutta and Japan and Rs. 30 per ton between Bombay and Japan. The powerful English companies are trying to bear down these competitors. Once they have borne them down the freight would rise and the rise would naturally be a disadvantage to India. I think this is one of those cases in which, if the companies are registered in India, the Government could directly or indirectly come in to see that the interests of India do not suffer, whatever the fight may be between the shipping companies.

The witness withdrew.

Witness No. 127.

Written statement of the Marwari Chamber of Commerce, 248/3, Kalbadevi Road, Bombay, the 21st February 1922.

19929. 1. We favour a policy of protection. The absence of protection has left India a poorer country compared with other manufacturing countries. To revive the past industries of India a policy of protection is urgently needed. No country has ever been able to make any industrial progress without the aid of protection. Every important country, with the exception of England, has high tariff walls to protect its industries. Even England is being forced by circumstances to lean towards a policy of protection. England, too, built up her industries under protection. Having vast territorial possessions from where she could have an uninterrupted supply of raw materials and a free market for her finished goods without any hindrance, England has adopted a policy of free trade. It is an established fact that India was once a prosperous country manufacturing not only her own requirements, but also supplying the needs of a large part of the world. The position is quite the reverse now. Instead of manufacturing, India sends out her raw materials and gets them manufactured by foreigners. It will not be out of place here to give a brief description of the industrial condition of India and the causes of its decline. Spinning and weaving were famous for their elegance. Thomas Munro in his evidence before the

Committee of the House of Commons on the affairs of the East India Company (1813), speaking on the causes which precluded the extended sale of British goods in India, mentioned: "More than everything else I am afraid of the excellence of their manufacture."

Figures are available which give a fair idea of the extent to which cotton and silk goods were manufactured in India. After supplying her own needs India exported a considerable quantity of finished goods to several countries of Europe and Asia.

It was not, however, the policy of the East India Company to foster industries. They followed the selfish policy of discouraging Indian manufactures in order to encourage the rising manufactures of England. Their fixed policy pursued during the last decades of the eighteenth century was to make India subservient to the industries of Great Britain, and to make the Indian people grow raw products only in order to supply material for looms of that country. We give an extract from a general letter, dated 17th March 1769: "Orders were sent out to force Indian artisans to work in the Company's factories, commercial residents were legally vested with extensive power over villages and communities of Indian weavers, prohibitive tariffs excluded Indian silk and cotton goods from England. England goods were admitted into India free of duty."

In this connection the following from the evidence of John Ranking before the Commons Committee will be of interest (Minutes of Evidence, etc., on the affairs of the East India Company, 1813, pages 463 and 467):—

"Can you state what is the *ad valorem* duty on piece-goods sold at the East India House?

"The duty on the class 'Calicoes' is £3-6-9 per cent. upon importation, and if they are used for home consumption there is a further duty of £68-6-8 per cent.

"There is another class called 'Muslins' on which the duty on importation is 10 per cent., and if they are used for home consumption, of £27-6-8 per cent. They are only for exportation.

"There is a third class, 'Coloured goods,' which are prohibited from being used in this country, upon which there is a duty upon importation of £3-6-8 per cent. They are only for exportation.

"This session of Parliament there has been a new duty of 20 per cent. on the consolidated duties, which will make the duties on calicoes used for home consumption £78-6-8 per cent."

The same witness said further on :—

"I look upon it as a protection duty to encourage our own manufactures.

"I give herewith a list of duties levied by England upon imports in 1824 :—

Ornamental cane work ...	50 per cent.
Muslins	37½ „
Calicoes...	67½ „
Other cotton manufactures ...	50 „
Goat wool shawls	67½ „
Lacquered ware	62½ „
Mats	50 per cent.
Raw silk	4*s.* per lb.
Silk manufactures	Prohibited.
Sugar (cost price £1 per cent.)	£3 3*s.* per cent.
Spirits	2*s.* 1*d.* per gallon *plus* 17*s.* excise."

(Evidence taken before the Commons, 1832, Volume II, Appendix 5.)

Thus in the words of the historian H. H. Wilson; "The foreign manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could have contended on equal terms." (Mills' History of British India, Wilson's Continuation Book I, Chapter VIII, note.)

To make Indian industries in their present stage compete with highly developed industries of the other countries with free trade policy is like a race between a grown-up boy and a mere child.

India at present maintains a large number of foreigners by sending out her raw materials and getting the same manufactured from them, and this, too, in the face of millions of her own sons starving.

By manufacturing her own raw materials India will be saving a considerable sum by way of saving her marine freights, marine insurance, manufacturer's and middleman's profits.

If a protection to Indian industries is assured, capitalists will be more inclined to invest their monies in industries. The forced protection which Indian industries obtained during the war period is a proof of it. Big industrial concerns were started and money was easily found for them. Many companies formed at the time find themselves in an unenviable position now owing to absence of protection. Several shipping companies were started at the time. The cessation of hostilities unloosed a larger amount of tonnage which was otherwise engaged, and the new companies which were started in competition with old-established companies with regular custom find themselves in a tottering state. If a new steamship company is started now, there is no likelihood of the public subscribing to any appreciable extent.

Thus it will be seen that the application of a free trade policy to India is not advantageous to her best interest, and consequently what she needs is protection to her industries by high tariffs.

19930. 2. In our opinion a tariff provides a more suitable form of taxation than direct taxation. If fresh taxation were necessary we would prefer an increase in the customs duty to direct taxation. Direct taxation acts as a deterrent to industries by demoralising the prices of stock and shares. In this connection we may cite the case of the excess profit tax. No sooner was the intention of levying this tax announced, than a panic set in the Stock Exchange to such an extent that some of the shares depreciated in value by 40 to 50 per cent. in a very few days. An increase in the direct taxation is resented by the people and it is very difficult to gather the entire revenue derivable, as there are efforts to evade it. An elaborate machinery has to be maintained which absorbs a good part of the tax. The subjects of Native States who form one-fifth part of the population of India do not participate in any direct tax, while an indirect tax affects them as well.

19931. 3. As we have stated, the tariff should be framed with a view to foster Indian industries as well as for obtaining revenue. In our opinion the duty on piece-goods and yarn should be increased from its present rate to 20 per cent. *ad valorem* to give an efficient protection to the existing mills.

Along with it the excise duty should be removed. The duty on iron and steel manufactures other than machinery should be increased to 20 per cent. In 1920-21 India imported about 32 crores worth of goods of this description. Efforts are being made to start iron and steel works in India and a duty of 20 per cent. upon importation will greatly help to promote that industry. The duty on sugar should be increased to 25 per cent. Glassware and earthenware should be subject to a duty of 100 per cent. Similarly the duty on hide and leather manufactures, cutlery, carriages, motors, provisions, such as can be prepared in India, can be safely increased for the purpose of obtaining revenue as well as helping indigenous industries.

The export duty on raw jute should be increased to help the present industry. Similarly the export of wool should be subject to heavy duty.

We also advocate an import duty of at least 25 per cent., which should be gradually increased, to help country-bred horses, on English, Arab and Australian race-horses, to hold their own on Indian race-courses.

19932. 4. The tariff policy pursued up to now has been mainly in the interests of the British manufacturers. Whitehall, influenced by the manufacturers of Great Britain, dictated the fiscal policy of the Government of India. The excise duty of 3½ per cent. on Indian mill-made cloth is an example of it.

19933. 5. The effect of the existing tariff policy has been to make a great manufacturing country dependent upon foreign countries for articles of every-day use. Indian industries have been gradually stamped out. If this policy is pursued further, there is no hope of India ever becoming prosperous. By the loss of their industries people have been forced to fall back almost entirely upon agriculture. The effects of the present policy cannot be described better than in the words of G. G. De H. Larpent, Chairman of the East India and China Association, when giving evidence before the Seymore Committee of the Commons in 1840. "We have, during the period of a quarter of a century, compelled the Indian territories to receive our manufactures, our woollen duty free, our cotton at 2½ per cent. and other articles in proportion, while we have continued during the period to levy almost prohibitory duties or duties varying from 10 to 20, 30, 50, 100, 500 and 1,000 per cent. upon articles produced in our territories. Therefore the cry that has taken place for free trade with India has been a free trade from this country. The decay and destruction of Surat, of Dacca, of Murshidabad and other places where native manufactures have been carried on is too painful a fact to dwell upon. I do not consider that is in the fair course of trade. I think it was the power of the stronger exercised upon the weaker," (Questions Nos. 3877 and 3879.)

19934. 6. We are strongly opposed to imposing an excise duty to countervail an import duty. The imposition of excise duties is a procedure unknown in any part of the civilised world. It takes away any benefit derived from import duties. We have, however, no objection to imposition of excise duty on the manufacture of wines and other intoxicants.

19935. 8. The price to the consumer is raised because the manufacturers fix their price taking into consideration the amount of excise duty as an additional cost of manufacture. There can be an exception, however, when the supply is much more than the demand. In that case the manufacturer may have to deduct the excise duty from his margin of profit. It all depends upon the question of supply and demand.

A.—Protective Tariff.

19936. 9. Yes. The introduction of a policy of protection will bring into existence a number of industries which will give employment to millions of people who are in need of it. The average birth-rate in India is 38·2 compared to 21·2 for the United Kingdom. This means that in spite of the appalling death-rate the population of India is increasing. This may not prove an unmixed blessing if new industries are not introduced or new careers provided in the country. India at present exports raw materials and food-products, while she imports chiefly manufactured goods. She has lost the power of manufacturing the articles required for her own use, on account of a free trade policy, and is obliged to pay for her imports of same by growing raw products. If she were to manufacture her own wants, using her abundant raw materials and the millions of people unemployed at present, she could not only manufacture all her requirements, but could also export manufactured goods for profit. By so doing she could save much of the money she now pays for her imports and could amass additional wealth by exporting manufactured goods. It is a well-known fact that the fortune of the richest merchants in India does not exceed a few crores, while in America and other manufacturing countries, with highly developed industries, there are merchants whose annual income several times exceeds that sum. Also by manufacturing her own requirements she will be saving a large amount by way of freights and insurance charges, as well as middleman's and manufacturer's profits.

This means general prosperity, it will increase the taxing power of the people, which will enable Government to fight better with calamities like famines and epidemics and carry out urgent works of national importance, such as development of hydro-electric power, education, sanitaton, irrigation, etc. It will make her independent of other countries in times of war. An argument advanced against industrial development is that it will draw labour from agriculture. First of all the number of men engaged in agriculture is so great that the withdrawal of a small percentage will not have any visible effect upon it. All the people who are described as agriculturists are not actually engaged in agriculture all the year round. By reducing the pressure on the land the *per capita* production in agriculture will also be increased.

19937. 10. In our opinion India can not only manufacture her own requirements, but can supply them to other countries too, owing to the abundance of raw materials. England and Japan have to depend for the raw materials they require upon India and other countries, while India has an abundant supply of raw materials of her own. Therefore given proper protection to the manufacturers, India will be independent of foreign countries for nearly all her requirements.

19938. 11. We do not favour the imposition of protective duties on all imported manufactures. A careful enquiry should be made of the industries existing and likely to be established if protection is guaranteed.

19939, 12. A start should be made towards protecting such industries as are at present being carried on in India, such as cotton manufactures, sugar, tanned leather, woollen manufactures, iron and steel manufactures, etc.

The next step would be that of imposing protective tariff on such articles as would be manufactured immediately same are protected, such as soap, chemicals, paper, etc.

We also favour protection for all key industries, which are essential for the maintenance of bigger industries; for example, the dyeing industry and manufacture of sulphuric acid. Shipping, too, is in our opinion an essential industry. The foreign trade of the country cannot be developed without having its own steamers. Each and every country of the world is trying to carry on its foreign trade by means of its own steamers.

19940. 13. Several new industries can be established by assuring protection. The principle on which we would select industries is this. Raw materials must be available in the country and the finished product must command market in India. We have mentioned some industries which can be started provided protection is assured.

19941. 14. It is desirable that such industries only should be protected as may be able to face foreign competition after a period. Exception, however, should be made in the case of key industries and industries essential for the defence of the country.

19942. 15. Yes. Special protection is necessary for such competition. The exact facts can be ascertained by making careful enquiries regarding the cost of protection of the articles concerned. In this connection we may point out adopt measures similar to measures adopted by England by having the "Safeguarding of Industries Act." In this connection we may draw the attention of the Committee to the fear of dumping of cotton goods upon Indian markets by Japan in the near future. This country, by working its mills 20 hours in a day, had accumulated a heavy stock of cotton manufactures which it is unable to dispose of. Prices quoted by manufacturers for fine counts yarn are considerably lower than the price at which Indian mills can produce. If proper measures are not adopted in time, the cotton mill industry may find itself in difficult position.

19943. 16. We strongly favour handloom industries. The cotton handloom industry is one of the best customers of the cotton mills. It supplies the wants of a large part of the village population. India is a country of villages. The urban population of India is only 10 per cent. of its total population compared with 75 per cent. of England, 48 per cent. of Canada, 55 per cent. of United States, and 49 per cent. of Japan. The agriculturists are not actively engaged in agriculture all throughout the year. They require occupation for the time they are idle. The women and children of the agriculturists can profitably devote their time to such industries. This will add to their scanty income and remove their indebtedness with its consequential benefits. There are many hand industries, besides the cotton loom, which can be advantageously introduced among the farmers, such as knitting, button-making, etc.

19944. 17. There is no such possibility in India. The cotton mill industry is the most important industry at present. If manufacturers effect any such combination, they will be cutting their own legs because they are situated very far from each other. If protection is afforded new mills will spring up, and there will be internal competition which will make such a combination impossible. Combination, however, is not always harmful. For example, the jute mill industry has been able to escape from ruin by concerted action. If there is a combination harmful to the interests of the country, means can be devised to check its evil effects.

19945. 18. Yes.—There is every likelihood of foreigners establishing in India to reap the benefits of protection. The foreigners who come to India do not settle down in India. They make money in India and export it out of the country, which means so much money lost to India. With the exception of the cotton mill industries, practically all the industries in India belong to Europeans and are worked by European Managing Agents. Of course industries worked by foreigners in the country itself are preferable to importing all manufactured articles as the financial loss is thereby lessened by labour and transport charges, but the financial loss to India by way of interest charges and export of profits in the present circumstances is considerable, and any further import of foreign capital will aggravate that loss. There is no lack of capital in India itself, but it has been shy due to the lack of protection. The above foreign "vested interests" are always a stumbling-block in the way of the progress of a country. The hue and cry raised by the European mercantile community against the grant of reforms too is a proof of it. Indian youths never get a chance of acquiring technical knowledge of industries if they are in hands of foreigners in their own country and in foreign countries.

We have no objection to borrowing foreign capital for developing Indian industries, but we do not want foreigners to take away all the profits accruing out of them. In this connection we strongly support the suggestion put forward by the Marwari Association of Calcutta to restrict foreign capital of limited companies to 25 per cent. 75 per cent. of the capital will give Indians an efficient control over the affairs of the companies.

The question has not so far received the attention which it deserves. The effect of protection will be nullified if no steps are taken to check foreigners establishing industries

in India. On the contrary the remedy may prove worse than the disease. Indian manufacturers will never be able to face competition of foreign industrialists with the unlimited supply of capital, experience, and superior training. The existing Indian industries will gradually pass into the hands of foreigners. The recent transfer of the managing agency of two cotton mills worked by an Indian firm into the hands of a foreign firm, because that firm was unable to command greater financial facilities than the other, is an example of what the affairs will be with the advent of foreign capital. There is already a move on the part of foreign manufacturers to establish themselves in India. Protection has no meaning if foreigners are not prevented from establishing in India.

19946. 19. Conflicts of this nature may arise, but they will not be difficult of adjustment. The interests of India as a whole are to be protected, and not any particular industry. For example, it has been urged by some witnesses before this Commission to abolish the import duty on mill machinery, while the representation is made by the manufacturers of iron and steel goods for enhancing the same. This can be easily adjusted. It is good for the country as a whole that machinery be prepared in India, while the comparative loss to the industries using machinery is very little.

Effect of Protection on Prices and on the Consumer.

19947. 20. Whenever an import duty is levied on an imported article there is a rise in the price of the imported commodity. The duty will be passed wholly to the consumer only in the following circumstances :—

(*a*) If the country which exports the articles taxed commands markets other than the country imposing an import duty.

(*b*) If there is no effort in the country itself to manufacture the article and thus increase the supply.

If the exporting country depends mainly upon India for its product the duty can be levied without any rise to the consumer. Cotton manufactures, sugar, iron and steel goods form the bulk of the Indian import. The countries exporting these articles are chiefly dependent upon the market of India. There is no fear of any such rise to the consumer.

19948. 21. The question has been partially answered by our reply to question No. 20. The consumer will be inconvenienced for the time taken to develop the local industries. Once there are industries on a scale sufficient to supply the needs of the country the consumer will be benefited due to the fall in prices owing to the saving of a considerable part of the cost of production which was originally incurred.

19949. 22. Yes. The advantages of having industries in the country will more than counterbalance the rise in price to the consumer. The profit made by industrialists will remain in the country. By this money they will be able to start more industries, giving employment to the poor. Thus there will be a constant demand for labour which means an increase in wages. In this connection we claim to speak with some experience. If a merchant is prosperous, he starts works of public utility, such as wells, *dharmsalas*, hospitals, etc., which is a cause of great prosperity and contentment to the labourers. The increased prosperity of Marwari merchants during the boom period was immediately the cause of substantial rise in the wages of labourers in Rajputana. As we have pointed out elsewhere, the increase in prices will only be temporary, while the benefits resulting from industrial expansion due to protection will be permanent.

19950. 23. Yes. We shall make a distinction between articles of luxury and articles of necessity. Food, clothing, and medicine are the articles necessary for life. While affording protection to industries supplying the necessities of life care should be exercised. The import duty should be protective, but should not be so high as to entirely remove the fear of foreign competition from the minds of the owners of the local industries. This will prevent them from fixing their prices too high.

19951. 24. Yes. The rise in the wages and salary will wholly cover the increase in prices. During the boom period when industries were prosperous there was an enormous rise in the salary of clerks and office assistants.

19952. 25. As a result of protection the general prosperity of the country will be greatly increased, which means more buying power. While holding that the prosperity of a country cannot be measured by the foreign trade of a country, we are of opinion that the general sea-borne trade will not decline to any appreciable extent due to the high standard of living, the natural result of general prosperity. The import of motor cars increased considerably with the increased prosperity of the country and fell down with the general trade depression. General trade prosperity will create a demand for many new things, for example, telephone, electric goods, etc., which will not allow the foreign trade to decline.

19953. 29. Yes. Such an organisation will be specially needed during the development period. The president of such an organisation should be some non-official with vast commercial and industrial experience. All the industries should be adequately represented. There should be a preponderance of Indians.

Export Duties.

19954. 30. The export duties can be imposed for obtaining revenue as well as for retaining raw materials for the manufactures of the countries.

19955. 31. In certain cases the export duty will lessen the export trade and thus bring down their prices, especially of articles which have very limited local consumption and depend mainly on foreign markets and when there is a rival supplier. A duty on cotton or oil-seeds will at once bring down the prices. There were several times rumours in the market of an export duty on cotton and there was a sharp decline in the prices. The durante of the decline in prices is of course determined by the factors mentioned above. An export duty on oil-seeds and cotton will have the effect of permanently bringing down the price.

There is another cause of a decline in the price of these commodities in case of an export duty. The export business of these articles, *i.e.*, seeds and cotton, has unfortunately passed into the hands of foreigners. They have been able to oust Indian buyers from the market to a great extent, due to easy financial arrangements, undue railway preference and spirit of combination. The farmers not being organised as in America, the exporters are able to dictate their prices. We therefore are strongly opposed to levying any export duty on oil-seeds and cotton. The case with jute and shellac, however, stands on a different footing. The two articles are virtually a monopoly of India. Export duty can be levied on these articles. The Bengal farmers are better educated than their brethren elsewhere, and with any decline in prices they reduce average.

19956. 32. We have treated this question in our answer to the previous question.

19957. 33. The production of foodstuffs in British India is estimated to be about five crore tons. Roughly speaking, British India has a population of 250 million souls. Taking ¾ of a seer to be the average daily food consumption of one man, the annual requirement comes to more than six crores of tons. Even if there was no export, there is a shortage of more than a crore ton of foodstuffs. By exporting about 10 per cent. of foodstuffs of India we make millions of people live in a state of semi-starvation. A heavy export duty will not act as a check to export and thus bring down prices.

It will be a great relief to the small agriculturist who has to work with his family for a good part of the year. We do not think this will curtail production as there is demand in the country itself and most of the lands available for cultivation are unfit for cultivating anything else.

19958. 34. Yes. If the country which imposes duty relies upon India for the supply of its raw materials. For example, if America imposes an import duty on hessians, we would be justified in imposing an export duty on jute for which it relies upon India.

This is not advisable, however, if the case is otherwise.

B.—Imperial Preference.

19959. 35. We are strongly opposed to the idea of Imperial preference. For India Imperial preference will be economically detrimental to her interests. The talk of Imperial preference has no meaning for India as long as Indians do not enjoy the rights of British citizenship even within the Empire. *They receive better treatment from some foreign colonies than what they receive from the citizens of the same Empire.*

19960. 36. In the negative.

19961. 37. We anticipate nothing but material loss to India by the system of Imperial preference, as we will be selling our goods cheaper to them and getting nothing cheaper from them in return. Yes, there is likelihood of retaliation by other countries.

38. The first part we have answered; the second does not apply to us.

19962. 39. In our opinion the question is premature. The progress of India should be watched. There can be no preference without change of heart on the part of the Dominions.

19963. 40. In such a case no progress of industries is possible as the United Kingdom is the biggest supplier of India. Prices will be raised, otherwise preference has no meaning.

C.—Manufactures.

19964. 44. Members of this Chamber are interested as proprietors and managing agents in the cotton mill industry.

Oral evidence of Messrs. Fatechand Ruia and H. P. Bagaria, representatives of the Marwari Chamber of Commerce, Bombay, the 25th February 1922.

Messrs. Fatech and Ruia and H. P. Bagaria, representing the Marwari Chamber of Commerce, were called in and examined. The replies were generally given by Mr. Bagaria, and whenever Mr. Ruia replied it is indicated separately in the report.

19965. *The President*:—*Q.* Gentlemen, you represent the Marwari Chamber of Commerce?

A. Yes.

19966. *Q.* And the members of your Association are interested in the textile industry and in import and export trade?

A. Yes.

19967. *Q.* In answer to question No. 18 you say: "Of course industries worked by foreigners in the country itself are preferable to importing all manufactured articles as the financial loss is thereby lessened by labour and transport charges, but the financial loss to India by way of interest charges and export of profits in the present circumstances is considerable, and any further import of foreign capital will aggravate that loss. There is no lack of capital in India itself, but it has been shy due to the lack of protection. The foreign vested interests are always a stumbling-block in the way of the progress of a country." What is your remedy for this state of things? Do you mean that foreign capital should be prohibited?

A. We have suggested it in the answer.

19968. *Q.* You want that every joint stock company promoted by a foreign firm in India must have 25 per cent. of foreign capital and 75 per cent. of Indian capital. Do you think that can practically be carried out?

A. (*Mr. Ruia*). We think so.

19969. *Q.* Supposing the requisite Indian capital is not forthcoming after invitation for subscriptions, what would be your attitude then?

A. We have said we have no objection to borrowing foreign capital.

19970. *Q.* I am speaking of the establishment of a foreign firm.

A. First of all the issue would be placed in the open market, and if Indian capital is not coming in sufficient quantity, then of course some concessions may be made to the foreigners, but in the case of the mining industry no concession should be given to foreigners.

19971. *Q.* If three-quarters of the capital is not forthcoming from Indians would you allow the foreign firm to establish the industry with a reduced percentage of Indian capital?

A. If the industry is very essential we would allow; otherwise we would like to wait.

19972. *Q.* What is your description of an essential industry?

A. An essential industry is that which is necessary for the advancement of this country, *e.g.*, the development of hydro-electric power which is very essential for this country. If it is necessary to develop this industry and if Indian capital is not forthcoming, then we would have foreign capital.

19973. *Q.* But not for ordinary manufacturing purposes?

A. No.

19974. *Q.* You go on to say that protection has no meaning if foreigners are not prevented from establishing in India. That means total prohibition?

A. Not total prohibition. We want to restrict their capital.

19975. *Q.* What do you mean by this sentence: "Protection has no meaning if foreigners are not prevented from establishing in India"?

A. We want the control to be left in the hands of Indians.

19976. *Q.* When the capital has been subscribed you want the industries to be controlled and managed by Indians. Who are to be the managing agents?

A. The managing agents in the first instance, if the company is promoted by foreigners, will be foreigners. If they conduct the firm properly, and do not make any distinction between Indians and Englishmen, then they may continue to be the managing agents. If they attempt any such distinction, however, then the possession of 75 per cent. of the capital would enable Indians to remove those managing agents.

19977. *Q.* You want them to establish industries in India under those conditions! It would be a substantial prohibition, if not practical prohibition?

A. Yes.

19978. *Q.* In answer to question No. 31 you say: "There is another cause of a decline in the price of these commodities in case of an export duty. The export business of these articles, *i.e.*, seeds and cotton, has unfortunately passed into the hands of foreigners. They have been able to oust Indian buyers from the market to a great extent, due to easy financial arrangements, undue railway preference and spirit of combination." Will you please tell me what you mean by "easy financial arrangements and undue railway preference"?

A. They can control much more capital than Indian merchants.

19979. *Q.* Their own capital?

A. Their own capital as well as banks' capitals.

19980. *Q.* Do you say that the banks give them preferential treatment?

A. They are able to get better treatment from banks than Indian capitalists.

19981. *Q.* And "undue railway preference"?

A. We know of cases in which wagons were given to European merchants in preference to Indian merchants.

19982. *Q.* Can you substantiate that statement?

A. We know it from our every-day experience in all parts of the country. Ralli's and other big firms are able to get wagons more readily than we can.

19983. *Q.* Have you made any representations on that point to the Government of India?

A. (*Mr. Ruia*).—Our Chamber has made a representation on this point, but no satisfactory reply has been received.

19984. *Q.* In your answer to question No. 33 you give certain statistics. "The production of foodstuffs in India is estimated to be about 5 crore tons. Roughly speaking, British India has a population of 250 million souls. Taking ¾ seer to be the average daily food consumption of one man, the annual requirement comes to more than six crores of tons." Have you got any statistics to base these figures?

A. The figures of total production I have taken from official reports about the estimate of crops.

19985. *Q.* Have you taken a normal or a famine year?

A. I have taken the average of 15 years.

19986. *Q.* How many famine years were there?

A. I have not considered that. I have taken only the average of 15 years.

19987. *Q.* Is your estimate, ¾ seer, for adults only? Have you calculated separately for children?

A. I have calculated on the average. We should not measure the requirement by taking the town people as our basis. In the village people are stronger and they require more than we require. In Rajputana people take 2 to 3 seers a day.

19988. *Q.* Therefore any export of food-grains that actually takes place further reduces the essential needs of the people of India?

A. Yes.

19989. *Q.* And the way you substantiate this is by taking the average production of 15 years, irrespective of the number of famine years during that period, and working the actual consumption to be ¾ seer per unit of the population for a day?

A. Yes.

19990. *Sir Montague Webb*:—*Q.* In the course of your answer to question No. 1 you say: "No country has ever been able to make any industrial progress without the aid of protection." The United Kingdom has had no protection for the last three-quarters of a century and it has made more progress in manufactures than any country in the world. Is it not a fact that the industrial progress of

the United Kingdom during the past three-quarters of a century has been unparalleled in the history of the world?

A. England built up her industries under protection.

19991. *Q.* But you remark: "No country has ever been able to make *any industrial progress!*' You speak of progress. The progress made in the last three-quarters of a century in the United Kingdom under free trade is unparalleled?

A. In the initial stage they had protection.

19992. *Q.* In the initial stage they had all sorts of curious things, but I am speaking of the *progress* made under free trade. In India, too, we find the greatest cotton industry in the British Empire, next only to that of the United Kingdom; Calcutta has got the greatest jute industry; Cawnpore is the centre of a big woollen and leather industry. In fact industries have been built up all over the country and people are most successfully establishing further industries. I think there is no country in the tropics which has built up its industries as India has done?

A. The prosperity that came to the cotton industry during the war period cannot be taken as a proof that the cotton industry has made progress. Now cotton *dhoties* are coming into the country at much cheaper rates than we can sell. In Japan there are large stocks of piece-goods, and if there is no protection, there is every likelihood of their dumping in the Indian market.

19993. *Q.* Can you tell me if there is any tropical country in the world which has developed its industries so well as India?

A. (*Mr. Bagaria*).—Japan is a country.

19994. *Q.* But Japan is not a tropical country?

A. Then what other country?

19995. *Q.* I do not know of any other country. That is why I ask you this question.

A. (*Mr. Bagaria*).—I do not know.

19996. *Q.* On page 2 of your memorandum you make a reference to a point which I should like to draw attention to. You say that the average birth-rate in India is 38·2 compared with 21·2 for the United Kingdom. And then a little later on in your paper you refer to the fact that at the present moment India is short every year by 10 million tons of food and that therefore there should be heavy export duties to check the export of food. Are you aware of the biological fact that all animals, including human animals, breed up to the limit of food-supply everywhere, and that consequently where the food-supply is increased the population at once increases up to that point?

A. (*Mr. Ruia*).—There are other forces also acting.

19997. *Q.* Have you ever considered that biological law at all?

A. (*Mr. Ruia*).—I am not a biologist. I am a business man. I think no man can subsist in the world without food.

19998. *Q.* What happens in practice is that all animals multiply up to the limit of food-supply. Your suggestion here that if you were to cut off exports of food the population in India would get more to eat is, I fear, a fallacy.

A. (*Mr. Bagaria*).—I think that if you were to cut off food-supply there will be loss of population.

19999. *Q.* I suggest it to you that this argument could not be accepted as sound, that by prohibiting exports the population would get more to eat. I don't think it is sound.

A. (*Mr. Ruia*).—You will admit that there is scarcity of foodstuffs in India. We never imported Australian wheat before. We had, however, to import wheat last year, in spite of the fact that we were exporting foodstuffs. That shows that there is a deficit of food-supply.

20000. *Q.* What is the reason for wheat being imported?

A. (*Mr. Bagaria*).—There is scarcity of wheat.

20001. *Q.* Why scarcity of wheat?

A. (*Mr. Bagaria*).—Owing to famines.

20002. *Q.* What is the cause of famines? Is it due to rains?

A. (*Mr. Bagaria*).—That was the peculiar condition last year.

20003. *Q.* I believe your Association is interested in the cotton mill industry?

A. (*Mr. Bagaria*).—Yes, in mill industry.

20004. *Q.* It is the opinion of your Association that a policy of protection would increase the amount of trade and multiply the wealth of this country?

A. (*Mr. Ruia*).—Yes.

20005. *Mr. Coyajee.*—*Q.* In answer to question 3 you say that you want a duty of 20 per cent. to be put on iron and steel manufactures and another duty of 25 per cent. on sugar and so on. On what basis have you calculated these figures?

A. (*Mr. Bagaria*).—There is a duty of 15 per cent. on sugar at present, but it is not sufficient. Therefore we advocate an increase of duty on that article to 25 per cent.

20006. *Q.* Why do you think that 25 per cent. would be sufficient?

A. (*Mr. Bagaria*).—If 25 per cent. is not sufficient we would increase it still further.

20007. *Q.* Then these figures are not arrived at after working them out?

A. (*Mr. Bagaria*).—No.

20008. *Q.* You want a duty of 35 per cent. on race-horses. What is the reason?

A. (*Mr. Ruia*).—The country-bred can run in Indian races as well as the English or the Australian horses. In order to foster the country-bred horses, if a duty is imposed on imported horses, I think the farmers and others who are interested in this will be much prosperous.

20009. *Q.* But in order to improve your breed of horses isn't it better that foreign horses should be imported?

A. (*Mr. Ruia*).—But there is a breed here for breeding purposes. (*Mr. Bagaria*).—It is a luxury which ought to be taxed. India is a poor country and it cannot send out money for such articles of luxury as race-horses.

20010. *Mr. T. V. Seshagiri Aiyar:*—*Q.* As regards the marvellous progress which India is supposed to have made under free trade, you know that we have still to depend upon foreign lands for our matches, for our soap, for our glasses and for a large portion of our textile cloth?

A. (*Mr. Ruia*).—I have not said that India has made marvellous progress.

20011. *Q.* You do not say that India has made marvellous progress?

A. (*Mr. Ruia*).—I do not agree with that.

20012. *Q.* As a matter of fact in many industries and in regard to many matters you are awfully short?

A. (*Mr. Ruia*).—Yes, dependent upon other countries.

20013. *Q.* The 263 mills that you have in this country are in no way commensurate with the population, with the extent of raw materials that you possess and other facilities that you enjoy in this country?

A. (*Mr. Ruia*).—Yes. The progress that has been described as marvellous is in no sense adequate to the requirements of the country.

20014. *Q.* I see you are anxious to protect the handloom industry.

A. (*Mr. Ruia*).—Yes.

20015. *Q.* You would like the excise duty removed?

A. (*Mr. Ruia*).—Yes.

20016. *Q.* You object to the excise duty because it was levied upon a very indefensible principle, namely, as a countervailing duty in the interests of Lancashire?

A. (*Mr. Ruia*).—Yes.

20017. *Q.* Suppose there is ample protection given to the cotton industry by levying, for example, 11 per cent. or 20 per cent. even. If the 3½ per cent. excise duty has the effect of assisting the handloom industry, would you object to it?

A. (*Mr. Bagaria*).—If there is ample protection for the mill Industry, we have no objection.

20018. *Q.* As regards this question of export duty, you say the effect of levying an export duty would be that the agriculturist would be driven to take to growing such other commercial crop as would bring him more money. For example, if you are going to cheapen paddy and wheat, the agriculturist would be driven to growing some other material, say cotton; the result would be that there would be a greater shortage of food-grains in the country than you would like. You are already complaining of shortage. Is that not to be avoided?

A. (*Mr. Bagaria*).—Do you mean in the case of export duty on foodstuffs?

20019. *Q.* Yes. By putting export duty on foodstuffs the paddy-grower, for example, would take to some other crop which would bring him more money. Isn't it natural

A. (*Mr. Bagaria*).—But most of the lands that now produce foodstuffs are unfit for other purposes.

20020. *Q.* Of course it is true to some extent. But take the case of Tinnevelly. There in certain seasons paddy will be grown and in others you will find that cotton is grown, whichever is more beneficial to the grower. Therefore if you are going to put a duty upon the export of grain and if the agriculturist finds that his paddy is not selling well, he will take to cotton-growing.

A. (*Mr. Bagaria*).—We must remember this fact that in India agriculture is done by small agriculturists, and most of these agriculturists will sell their produce as soon as it is reaped. And throughout the end of the year they work as labourers. If the price of foodstuffs are brought down that will be a benefit to them.

20021. *Q.* You are talking of labourers, but I am talking of men who own lands. If you are going to put a duty on corn they may take to some other crop which will bring better return: and the result will be that there will be shortage of food-supply in the country.

A. (*Mr. Ruia*). I do not think that if an export duty is levied the price of food will be so lowered as not to give him a margin of profit.

20022. *Q.* It is not a question of the margin of profit. The question is whether it would not induce the agriculturist to grow such crop as would bring him more profit. Is it not necessary that we in this country, about 330 millions, should take to growing and store food-grains in the country?

A. (*Mr. Ruia*).—Yes.

30023. *Q.* Therefore your advocacy would have a tendency of reducing food crops?

A. (*Mr. Bagaria*).—As was pointed out, agriculture is not generally done on a large scale, but only by people with small holdings. They will sell their output as soon as it is reaped.

30024. *Q.* You are talking of labourers and not of owners?

A. (*Mr. Bagaria*).—Agriculture is not being done on a large scale as it is done in America. We have in Rajputana small farmers cultivating their lands. As soon as their crops are reaped, they will engage themselves in some other labour throughout the rest of the year and they have got to pay for their food-supply.

20025. *Q.* That may be. But where we have got larger holdings and employ labourers if we find that it is not paying a good return we will turn to producing commercial crops. That is why I gave you the instance of Tinnevelly. I can speak of Trichinopoly in the same way.

A. (*Mr. Bagaria*).—Cotton is not grown in the same season as foodstuffs. If you grow grain you cannot grow cotton in the same year.

20026. *Q.* Generally we cannot. If you grow wheat during the first portion of the year, January, February and March, you can grow cotton afterwards?

A. (*Mr. Bagaria*).—The land will grow only one crop in the year, either cotton or wheat.

20027. *Mr. Rhodes:*—*Q.* In question 9 you seem rather to put forward a strong argument in favour of free trade. You say: "It is a well-known fact that the fortune of the richest merchants in India does not exceed a few crores, while in America and other manufacturing countries with highly developed industries, there are merchants whose annual income several times exceeds that sum."

A. (*Mr. Bagaria*).—It has been often made against the protectionist countries that we have got a large number of poor men and very few rich men. As far as our opinion goes the general prosperity of America and the United Kingdom is much more different than what it is in India.

20028. *Q.* Then you are interested in a few rich men than in the large number of the poor?

A. (*Mr. Bagaria*).—We have to compare the labourers in India with those in America. The labourers there are better off than what they are in India.

20029. *Q.* But is not the reason for that given in the joint-family system? The enormous population here are content to live on very small holdings?

A. (*Mr. Bagaria*).—If there are more rich people here they will start industries and they will give employment to labour and so there will be general prosperity.

20030. *Q.* In regard to mercantile marine, is it a thing which you would like to have built up in the near future? Do you think that the Indians will take to it and become officers and sailors?

A. (*Mr. Bagaria*).—Yes. There are efforts being made to remove the prejudice for travelling to foreign countries and I think in a year or two the Marwaris will be freely going to foreign countries.

20031. *Q.* I am very glad to hear that. There is some progress.

A. (*Mr. Bagaria*).—As soon as the western education progresses this prejudice will be removed and they will be going to foreign countries.

20032. *Q.* As regards borrowing capital, are you not borrowing capital for your business?

A. (*Mr. Ruia*).—Yes, we borrow.

20033. *Q.* Don't you think it is a good financial transaction?

A. (*Mr. Ruia*).—Yes.

20034. *Q.* What is your objection to the country borrowing?

A. We borrow money, but we do not give them interest in profits. We pay them interest according to the market rate.

20035. *Q.* Is it worth while borrowing money from England on a profit-sharing basis in order to develop your industries?

A. We do not want to borrow on profit-sharing basis.

20036. *Q.* You do not want the profits to go out of the country?

A. No.

20037. *Q.* In answer to question 22 you say: "The increased prosperity of Marwari merchants during the boom period was immediately the cause of substantial rise in the wages of labourers in Rajputana." Where did that money come from?

A. (*Mr. Bagaria*).—The money came from trade; there was a large quantity of exports. It was a general period of prosperity to Marwaris.

20038. *Q.* Is there any objection on the part of the people of Bombay to Marwaris making money here and taking money away?

A. (*Mr. Bagaria*).—There is no such distinction. We look upon the country as a whole.

20039. *Q.* Have you had no objection from the people of Bombay?

A. (*Mr. Bagaria*).—I do not think there is any such prejudice against the Marwaris.

20040. *Q.* But the money is going out of the province?

A. (*Mr. Bagaria*).—You cannot separate provinces from one another. We should consider the interests of India as a whole.

20041. *Mr. Birla:*—*Q.* You said that the prejudice is being removed from the Marwaris of India about the sea voyage. You cannot get good captains and sailors from other communities also?

A. (*Mr. Bagaria*).—I am not here to consider the interests of any particular community or province. We are here to consider the question from the point of view of the whole of India.

20042. *Q.* With reference to Sir Montague Webb's point that there is no other tropical country which has made so marvellous progress industrially. I do not think, while framing our fiscal policy, it is at all necessary that we should compare India with any other tropical country.

A. (*Mr. Bagaria*).—We are not to compare it with any other country. We are to look to the interests of India.

20043. *Q.* About the deficit of foodstuffs in this country, are you aware that last year, in spite of the huge cry raised by the public, the Government sanctioned the export of wheat to foreign countries?

A. (*Mr. Bagaria*).—Yes.

20044. *Q.* Are you aware that the people very well knew that there was deficit in this country and in spite of these cries the Government permitted the export with the result that we had to import wheat from Australia?

A. (*Mr. Bagaria*).—That was a very unwise policy.

20045. *Q.* That unwise policy was adopted because the Government and the European community have always been under the false impression that there is no deficit of foodstuffs.

A. (*Mr. Bagaria*).—They think that we are producing much more than what we require. What we produce is not sufficient for our own needs. This you can see if you go to suburbs. If you go to villages you will see that the people there do not get all the food they require.

20046. *Mr. Mant:*—*Q.* To pursue the last point, about foodstuffs, what policy does your Association recommend to increase the production of food in India?

A. (*Mr. Bagaria*).—We would employ modern methods, but first of all we would stop the export of foodstuffs from India.

20047. *Q.* How would that increase production?

A. (*Mr. Bagaria*).—That will not increase production but that will give sufficient quantity necessary for the people of India. Afterwards we would consider the question of improving our food-supply.

20048. *Q.* You would get sufficient quantity if you reduce the price?

A. (*Mr. Bagaria*).—Yes, that will reduce the price.

20049. *Q.* Will not that tend to reduce the production of foodstuffs?

A. (*Mr. Bagaria*).—As I pointed out to Mr. T. V. Seshagiri Aiyar, from our experience of Rajputana we can say that India is a country of small farmers. They sell their produce as soon as it is reaped and then throughout the good part of the year they have to buy their foodstuffs, and work as labourers in the mills; if the prices are reduced they will be greatly benefited.

20050. *Mr. Mant:*—*Q.* I am asking you whether that would not reduce the production.

A. I do not think so, because there is demand in the country for foodstuffs.

20051. *Q.* You say that the stopping of exports will reduce prices?

A. Not much. It will reduce temporarily. We have to take into consideration the speculators at Bombay and Calcutta. When speculation is going on, since there is a duty, the speculators will bring down the prices temporarily. But because there is demand in the country the prices will not remain at a low level. There is a demand in the country itself for these things.

20052. *Q.* But how? Will there be any more demand than there is now, unless you reduce prices?

A. Prices will be reduced in the first instance, as I have pointed out.

20053. *Q.* You say that there will be more demand.

A. There is demand. Prices will go up. The reduction in price will be only temporary.

20054. *Q.* What will you gain by your restriction?

A. (*Mr. Ruia*).—The available quantity in the country will remain in the country. (*Mr. Bavaria*).—People will get that supply of foodstuffs which they are not able to get at present.

20055. *Q.* You say that they cannot get them at present?

A. Because we export them out of the country. How can they get that quantity which is exported?

20056. *Q.* They should get it if they are prepared to pay the price for it. Better prices are offered by people abroad.

A. (*Mr. Ruia*).—We don't want that.

20057. *Q.* If you prevent exportation the people of this country will be prepared to pay just the same prices as at present?

A. That will reduce prices. If there are no efforts made to improve the supply prices will go up again. But if there are new methods introduced in the country to increase the production prices will go down naturally.

20058. *Q.* We are going round in a circle. It is rather late and I do not want to take up more time. I want to ask you one more question, and that is with regard to your estimate of the requirements of foodstuffs in your answer to question 33. I think you explained to the President how you got it, and I did not quite follow you. Will you please explain a little more fully how you got your estimate?

A. I have taken ¾ seer as the average food requirements of a man. The population of British India is 250 millions. If you multiply 250 millions by 365 and by ¾ seer, you will get 6 crores of tons as the total requirements of food.

20059. *Q.* You are taking the population of British India as all grown-up men?

A. ¾ seer is not sufficient for a grown-up man. I have taken ¾ seer as the average for an adult as well as for a child. It is the average for a unit of population.

22060. *Q.* ¾ seer is a very large estimate. Is it not?

A. We should not compare it from what people in the city take. We should consider it from the standpoint of the villager.

20061. *Q.* Is it not rather a high figure?

A. I think that it is an under-estimate.

20062. *Q.* Have you worked out the figure of 6 crores of tons yourself?

A. Yes.

20063. *Mr. Jamnadas Dwarkadas:*—*Q.* We were told by a very experienced man who came as a witness before this Commission that the difficulty in India was not want of food, but that there is no money to buy food. Do you agree with that view?

A. If you say that the figures I have given are not right then that question comes in.

20064. *Q.* Frankly speaking, I cannot get accurate figures.

A. But you can take it from me that what I have stated is not wrong.

20065. *Q.* Would you qualify your answer in this way, that in years of scarcity or famine you would advocate an export duty?

A. In years of scarcity I would recommend the total prohibition of export.

20066. *Q.* Mr. Rhodes wanted to know what you actually meant when you say that it is a well-known fact that the fortune of the richest merchants in India does not exceed a few crores, while in America and other manufacturing countries with highly developed industries there are merchants whose annual income several times exceeds that sum. I take it that you only mean that the comparative wealth of the Indians and Americans is an indication of the general level of prosperity.

A. If you take the wealth of India as a whole, or the wealth per head in India, and compare it with the wealth per head in other countries, you will find that our wealth per head is very low.

20067. *Q.* Your idea is only to indicate that India is not as prosperous as other nations?

A. India is a poor country, and I have tried to show that.

20068. *Q.* There is one point I would like to ask you about. You state that you would exclude foreign firms from establishing themselves in India. You want to impose a condition that 75 per cent. at least of the capital should be Indian. I put it to you whether it is a practical proposition. As a business man if such a condition is imposed upon you would you care to start industries?

A. Japan had restrictions on foreigners holding property, etc. If we impose such a restriction in India and the foreigners do not want to come out on these terms, India should try to start her industries with her own capital.

20069. *Q.* You will admit that there are many industries in which you would need the help of foreigners?

A. I have pointed out that there is no lack of capital in India.

20070. *Q.* You may not be lacking in capital. If an industry is going to be started in India it is going to be a great advantage to your revenue and to the country as a whole. Would you object to an industry being started on the ground that the capital is foreign?

A. Indian labour will be employed in the industries started by foreigners. Excepting that, I do not see any other advantage. They will take away the profits of the industry, and any drain of the wealth of India is under present circumstances undesirable.

20071. *Q.* You mean to say that they will take away the full profits?

A. I think so.

20072. *Q.* Consider the question from this point of view. As you are advancing politically they will have to depend a good deal on Indian support in the Legislatures for the successful carrying out of their policy. Is it not so?

A. Then we will consider the question from that point of view.

20073. *Q.* Even under present circumstances you have in the Legislative Assembly an elected majority. No question of policy can be decided unless you get their support. That is our strong position at present, and considering also that you are making fast progress towards responsible government, do you think that it is wise to restrict the establishment of industries?

A. I do not want to restrict the establishment of industries. What I want to see is that we do not allow foreigners to establish themselves here.

27074. *Q.* Will it not amount to restriction?

A. If Indians are not willing to establish industries, then it will amount to a restriction.

20075. *Q.* Suppose a foreigner wants to establish an industry in India which does not exist here. You say, "You cannot establish the industry unless 75 per cent. of the capital is taken in India," and suppose that these conditions do not suit him. Then we won't have the industry. That will mean that you will not have that industry. On the contrary, if you have that industry in India, it is quite likely that the establishment of that industry will be followed up by the Indians themselves establishing such industries.

A. I would rather progress slowly than allow foreigners. Suppose there is money hidden in the ground, and I want some capital to dig it up. If some person comes to me and says, "I will lend you money, but give me whatever comes out of the earth," I would get very little and I would naturally say, "I would rather borrow money on more favourable terms."

20076. *Q.* I can understand your attitude if Indians were prevented from establishing that industry provided equal terms were given to both.

A. The foreigners are able to command more capital than the Indians. I know of a recent case in which two Indian mills could not stand against a foreign firm, because it commanded more capital than the Indian firms. I mean that the industries will pass into the hands of foreigners, and that is very bad for the country.

20077. *Q.* Don't you think that it is admission of weakness on the part of Indians? No self-respecting Indian will admit that.

A. It is an obvious fact that we are not financially so strong as the foreigners. There is no admission of weakness in it.

20078. *Sir Manakjee Dadabhoy:*—*Q.* On page 1 of your evidence in paragraph 3 you say that the duty on piece-goods and yarn should be increased from the present rate to 20 per cent. *ad valorem* to give an efficient protection to the existing mills. I think there is some mistake

here. There is no duty on yarn at present. Do you want to put an import duty of 20 per cent. on yarn ?

A. Yes.

20079. *Q.* What are your reasons for recommending a 20 per cent. duty on yarn ?

A. At present other countries are able to produce cheaper than the Indian mills. Therefore we have advocated a duty in order to protect the mill industry. At present Japanese yarn of 20's is available about two or three annas cheaper than the Indian yarn.

20080. *Q.* At present ?

A. Yes.

20081. *Q.* Would you put this 20 per cent. duty indiscriminately or would you discriminate between the finer and coarser counts ?

A. We are not at present importing yarn of lower counts than 20's, because our mills are producing such yarn. If a duty is imposed of 20 per cent. on imported yarn that will only fall upon counts higher than 20's.

20 82. *Q.* How will it affect the handloom industry ?

A. That will affect the handloom industry. But the Indian mills which are getting long staple cotton from Egypt and America will produce their own yarn, and there will be more production of finer yarn.

20083. *Q.* You think that the Indian mills will gradually take to the production of the finer yarn and supply it to the handlooms ?

A. Yes.

20084. *Q.* So the hand loom will be affected only temporarily ?

A. Yes.

20085. *Q.* Is the margin so great as 20 per cent. at present between the foreign imports and the indigenous products ?

A. I have pointed out that the Japanese yarn is available two or three annas cheaper.

20086. *Q.* What about the European yarn ?

A. It is not coming at all now.

20087. *Q.* If this crisis passes away, it will begin to come in. Do you know what was the difference between the price of the European yarn and the Indian yarn ?

A. No. I cannot say.

Witness No. 128.

THE BOMBAY MILLOWNERS' ASSOCIATION.

Written Statement.

20088. The Committee of the Bombay Millowners' Association, having carefully considered the main aspects of the enquiry to be undertaken by the Indian Fiscal Commission as indicated in the questionnaire issued by that body, are of opinion that the principal points at issue in regard to which they can most suitably express their views are comprised in Sections A, B and C of the questionnaire. For purposes of convenience they have accordingly followed in this memorandum the general arrangement of subjects adopted in the questionnaire and indicated generally their views on the matters discussed in the three sections in the order in which they appear in the questionnaire. The relative number of the various questions is also given in brackets in each instance.

A—General.

20089. *A Revenue Tariff :—*

(1) The Committee are strongly in favour of a policy of protection ; they consider that a tariff

(2) provides a more suitable form of taxation for India than direct taxation, especially as direct taxation is so easily evaded, and that an increase in Customs should always be adopted in preference to an increase in direct taxation.

(5) The Committee consider that the existing tariff policy has proved detrimental to Indian interests, has hampered the progress of new industries in the country by reason of the severe competition with imported products which it has entailed, and is likely to continue to operate to the disadvantage of Indian industries so long as it remains in force.

(6) While registering their firm adherence to the policy of protection the Committee do not approve, in theory or practice, of the imposition of a countervailing Excise duty in the case of any article with the possible exception of spirituous liquors.

20090. *A Protective Tariff :—*

(9) The Committee consider that the tariff should be framed in future with a view to foster Indian industries and, in particular, to protect nascent industries in this country against competition from old established and highly organized industrial concerns in other countries.

(10) Provided the protection afforded by the new tariff is adequate, the Committee see no reason why India should not become, in due course, independent of other countries in regard to the bulk of her requirements of manufactured goods.

(11) The Committee are disposed to limit the application of protective duties to the extent described in paragraph 4 of this memorandum, in which event the duties would not be required in the case of certain articles already manufactured in this country, the quality and quantity of which are in themselves adequate protection against the competition of the imported goods.

(12) With regard to the manner in which the discrimination suggested in the foregoing paragraph should be exercised, the Committee consider that protection should be extended in the first instance to those industries which are most likely to attain, within a reasonable period, to such a stage of development and organization as subsequently to render the imposition of the duties in their case unnecessary. An example in this connection is furnished by the hosiery trade, the imports into India under which heading are very heavy but the development of which India is in a particularly good position to undertake on account of her natural resources in the shape of both raw material and cheap labour.

20091. The presence in the country of the raw materials is a further factor which, in the opinion of the Committee, should receive due consideration in the selection of the industries which require protection, while so long as certain foreign exchanges remain at their present abnormally low level, certain industries, already established in the country, *e.g.*, the iron and steel trades, cotton, blanket trade, etc., might with advantage receive temporary protection until such time as they were in a position to maintain themselves against foreign competition.

(13) The Committee have only dealt, in the foregoing paragraphs, with the question of industries already in existence in this country. They are, however, also of opinion that it is desirable, in cases where the consumption of the goods to be produced is sufficiently large, to establish new industries by means of a protective tariff. Moreover, they consider that this should be done especially in the case of "key" industries. Except in the case of such industries, however,

(14) The Committee consider that protection should be confined to industries which are likely after a period to be able to face competition without such assistance, although they are not disposed, in the case of new industries, altogether to prohibit the establishment of industries which might eventually be found to require continuous assistance.

(15) Subject to the proviso that the necessity for such assistance must be clearly established in each instance, the Committee are disposed to grant special protection against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions.

(16) The Committee are strongly in favour of the maintenance of the cotton hand-loom industry. The industry in question enables a large proportion of the agricultural population of India to supplement their resources and, properly organized, hand-looms can be made to compete profitably with the product of the power-loom in certain styles of cloth. The Committee do not consider, however, that the manufacture of coarse goods is likely to produce the desired result, as in their opinion the future of the industry depends upon the extent to which it confines itself to the styles of cloth which are difficult to manufacture on the power-loom and, on that account, will always find a ready market.

(17) The Committee have considered the possibility of protection of the nature indicated in this memorandum being likely to lead to combination among the protected manufacturers, but they cannot see any possibility of such a contingency arising either in the early stages or in the

(18) visible future. On the other hand, they consider it likely that British or foreign industrial firms will endeavour to establish themselves in India in order to obtain the benefit of the protective duties, and, at any rate in the case of British firms, the Committee consider that such action would be to the benefit of the country.

(19) The Committee see no reason to believe that the conflicts of interests between producers of raw material and manufacturers, although bound to occur under any system of protective duties, are likely to be more numerous or difficult of adjustment in India than in other countries where similar conditions obtain.

20092. *Effect of Protection on prices and on the consumer :—*

(20) The Committee consider that the question whether the incidence of import duties falls in the last resort upon the consumer depends very largely upon market conditions, but that the tendency

(21) is certainly in that direction. A rise in the price to the consumer occurring as a direct result of a protective duty need not necessarily be permanent as so much depends both on the aforesaid market conditions, and also on the stage of development which the Indian industry has reached.

(22) In any case the Committee are willing to accept an increase in price to the consumer for the benefit of Indian industrial development and they consider that such questions should be viewed

(23) from the standpoint of the interests of the country as a whole and the benefit which it is likely to derive therefrom.

(24) Assuming that an increase in the tariff rates would tend to increase the cost of living in India the Committee are of opinion that, so far as the industrial and agricultural wage-earners were concerned, their wages would very soon rise in proportion, and in that order, but that the middle classes would suffer for a time as their wages or salaries do not bear the same relation to the cost of living.

20093. *Effect of Protection on Foreign Trade :—*

25) The Committee consider that the adoption by India of a policy of protection would have no material effect upon the foreign trade of the country and at the same time would improve the general commercial position as it would tend in time to effect an increase in the value of the export trade of the country through the substitution by degrees of semi-manufactured goods for the raw materials which at present form the staple exports.

20094. *Use of Tariff for bargaining :—*

(26) The Committee concur in the suggestion that the existence of a tariff which could be used as an instrument for bargaining with other countries would be advantageous to India and they would

(27) accordingly recommend the adoption of general and special tariffs, the latter to be applied to countries from which India received favourable treatment. If, however, the tariff were

(28) intended to be used in the above manner it would be necessary to render it more detailed than it is at present.

20095. *Organization for investigating the claims of industries :—*

(29) In view of the necessity for the exercise of the utmost care and discrimination in the selection of those industries which required the assistance of protective duties in the early stages of their development, the Committee consider that a permanent organization for the settlement of claims in that connection should be established and that such a body might also be entrusted with the task of effecting the periodical adjustment of the tariff rates which would be necessary. The final decision in regard to all such questions, however, must of necessity rest with the Indian Legislature.

20096. *Export Duties :—*

(30) The Committee are strongly of opinion that export duties should only be imposed for the purpose of preserving intact the food supplies of the country, particularly in the event of possible famine. Under no circumstances do the Committee consider that export duties should be levied for revenue purposes as they merely tend to discourage trade in the commodities taxed, particularly if the country imposing the duties does not possess a monopoly of the articles in question.

(31) In the case of India the only articles on which a small export duty could be levied without serious consequences are jute, shellac and, to a smaller degree, tea ; but, as already stated, the

(32) Committee do not consider that the imposition of such a duty for purely revenue purposes or, in the case of a raw material, in order to encourage its retention in India either for purposes of manufacture or any other purposes, is desirable.

(33) The imposition of an export duty on foodstuffs is only defensible in extreme circumstances, and provided the utmost caution is exercised in regard to both the manner of its application and the period for which it is imposed. As already stated in the preceding paragraphs, the only circumstances in which the Committee can envisage the necessity for such action are the existence of famine upon a large scale, in which case, while agricultural interests would suffer to a certain extent by reason of the duty, the Committee do not consider that such a contingency would have any effect upon the quantity of foodstuffs produced in the country.

(34) The Committee do not consider it advisable to impose an export duty on a raw material in retaliation for an import duty imposed by a foreign country on the manufactured articles as, in their opinion, the result would merely be that the raw material in question would be exported through another country in the first instance. In cases where, however, the cost of transhipment rendered it impossible for the payment of the duty to be evaded in the above manner, the Committee see no objection to the use of an export duty in that connection solely as a means of retaliation.

B.—Imperial Preference.

20097. (35) On general grounds the Committee are favourable to the idea of Imperial Preference and they do not consider that India, by adopting the policy of Imperial Preference to the limited extent proposed in the following paragraphs, is likely to incur any appreciable economic loss. At the same time they do not consider that India would be justified in pursuing the policy if it eventually became apparent that such a loss was inevitable, and on that account the Committee recommend, if it is decided to adopt the policy of Imperial Preference, that India's right to withdraw from the undertaking should be reserved.

(36) The Committee are strongly of opinion that preferential rates of duty should only be granted to the United Kingdom and such of the Dominions as are prepared to extend to Indians the same rights of citizenship as their own citizens enjoy in this country.

(37) Inasmuch as the Committee are only prepared to recommend the adoption of the policy of Imperial Preference to the same degree as it exists in

South Africa, they do not anticipate any material gain or loss to India will be caused thereby, nor, for the same reason, do they apprehend any likelihood of retaliation by foreign countries against India.

(38) As is stated in the preceding paragraph, the Committee favour the adoption by India of the system of Imperial Preference in force in South Africa which, they understand, consists usually

(39) of a rebate of 3 per cent. *ad valorem* and might be applied to certain classes of piece-goods, metallic ores, motor cars, etc., *i.e.*, only goods for which India is likely to have to depend on other countries for some considerable time to come.

(40) If the preference is effected only by means of an increase in the present import duties on goods imported from foreign countries, the Committee do not consider that the price to the consumer would necessarily be raised thereby as so much depends upon the proportion in which the

(41) imports in question are shared by the United Kingdom and other countries. In any case they do not think either the balance of trade or India's trade position generally is likely to be affected

(42) in any way by the introduction of a system of Imperial Preference on the lines suggested in this memorandum.

The Committee, however, are emphatically opposed to the introduction of any indirect method of preferential treatment similar to that attempted two years ago in the interests of British manufacturers, when the Government of India, by means of an executive notification, placed unnecessary and unfair restrictions upon the import of dyes into India from countries other than the United Kingdom and thus practically forced both merchants and consumers to purchase their requirements from British manufacturers to the exclusion of others. In the opinion of the Committee, such a step tends to create a monopoly, constitutes the grant of a subsidy to British manufacturers at the cost of India, and is inconsistent with the idea of free trade even within the Empire.

C.—Manufactures.

20098. 43) The membership of the Bombay Millowners' Association is representative of 90 per cent. of the cotton mills in Bombay.

(44) The Committee consider that the textile industry in this country enjoys many natural advantages, prominent among which are the proximity of the raw material, an adequate supply of labour and its location in a heavy consuming market.

(45) The Committee consider that the textile industry is practically essential to the national security and also of substantial importance to the economic prosperity of India.

(46) The state of organization and equipment of the industry varies with the different sections of the trade. So far as the cotton spinning and weaving section, however, is concerned the industry is in a fair state of organization and equipment for the spinning of yarns up to 30s count and the weaving of cloth, both grey and coloured, from those counts. The bleaching, dyeing and finishing trade is similarly situated but in spite of the heavy consumption of imported hosiery and printed goods the latter branches of the trade are practically non-existent in India.

(47) The chief markets for the sale of the two staple outputs of the industry, namely yarn and cloth, are, for yarn, India, Burma, China, Egypt and the Levant. The principal markets for cloth are India and Burma, but it is also exported to Aden (for the Abyssinian, Arabian and Somaliland markets), East Africa (from Mombasa to Durban), chiefly for the native population of the coastline districts, and the Persian Gulf, including Mesopotamia and Persia. From the latter country a certain amount of Indian cloth also finds its way into Turkestan and the Bokhara markets, and, in the case of exports to Burma, through that country up into the Chinese hinterland.

(48) The industry has to meet competition, which varies with the different classes of both yarn and cloth, in both the Indian market and the other markets detailed in the preceding paragraph. A few instances may be cited as examples :—

Yarn.—(*a*) Indian Market.

20099. So far as counts from 30s upwards, both double and single, are concerned the most serious competition comes from the United Kingdom, but the industry can more than hold its own in counts below 24s. Competition in the higher counts also comes, in a lesser degree, from Japan, while, mainly on account of her depreciated currency, Italy has entered the market for counts from 16s to 30s.

(*b*) Elsewhere.

In the China market competition from Japan, particularly in counts from 16s upwards, has for some time past been very heavy and the Chinese mills are evidencing a tendency to compete with success in counts from 10s to 16s also.

Cloth. - (*a*) Indian Market.

20100. In cloth again the United Kingdom is India's principal competitor in the home market for the finer classes of goods, while the United States of America compete in drills, cabots and low quality shirtings, and Japan in coarse shirtings, drills and grey longcloths. The latter country has also during recent years turned its attention to better class fabrics with some measure of success. A considerable quantity, however, of the American and Japanese competition is in goods which are subsequently re-exported from Bombay. In normal years competition is experienced from Italy, Belgium and Germany in low suitings and blankets, but at the moment the only serious competitor in those lines, and this only in cotton blankets, is Germany.

(*b*) Elsewhere.

In the East African markets competition in low class sheetings from the United States, Japan and Belgium is experienced, while in the Straits Settlements the market has been almost entirely wrested from the Indian mills by the same countries.

20101. (49) From the preceding paragraph it will be observed that India's chief competitors, both in the home market and elsewhere, are Japan and the United States. Of these two countries experience has shown that the competition from America is periodic in character and coincides with periods of trade depression in that country. It cannot be said that the American industry has any undue advantage over India except that the Indian markets are available, and are so used, as a dumping ground for the excess of output intended, as a rule, for the Chinese and Levant markets. Japan, on the other hand, certainly possesses several advantages, prominent amongst those which may be described as natural ones being the fact that the textile industry in that country has a superior type of labour upon which to draw. An additional advantage, purely of its own contrivance, lies in the fact that the marketing of the goods is encouraged by the provision of cheap transport facilities.

(50) For the reasons above given it will be apparent that the textile industry in this country requires protection in respect of certain branches of the trade, such as—

(1) hosiery;
(2) calico printing;
(3) cotton blankets.

(51) Of the above the manufacture of hosiery might be instituted immediately adequate protection in the shape of heavy import duties on the imported article is forthcoming, while the cotton blanket industry will only need protection until such time as economic conditions on the Continent approximate to the normal again.

20102. The position of the calico printing industry is, however, somewhat different and the Committee are not disposed to recommend its claim for consideration until such time as they are satisfied that those responsible for its promotion are in a position to embark on the industry on a sufficiently large scale to render protection necessary

or expedient. In the case of both the hosiery and the calico printing trades protection upon an extensive scale will be necessary for some considerable period in the first instance and thereafter upon a somewhat lower scale for a further period though not necessarily for all time.

(53) The present depressed condition of the foreign exchanges is responsible in part for the severe nature of the competition which the Indian industry has to face at the moment, particularly
54) in the case of cotton shirtings and blankets from Belgium, cotton blankets from Germany and yarn and fancy brocades from Italy, and an improvement in the position in that connection
55) can only be expected when the exchanges in question return to normal, although a temporary increase in the import duty in certain cases, *e.g.*, cotton blankets, might alleviate the situation temporarily.

56) The successive enhancements of the tariff which have been effected since 1916 have benefited the industry in the sense that they have led to a corresponding increase in both the operatives' wages and the profits of the mills, but it is difficult to estimate with any degree of certainty the exact effect of the higher tariff as the issue has been clouded first by the high value of the rupee, which tended to counteract the increased duty, and later by the recent agitation for the use of Khadi and Swadeshi goods.

(58) The finished product of the spinning section of the textile industry, namely yarn, is used extensively throughout India by the hand-loom industry in the manufacture of saries, carpets, dhurries, etc.

(59) The bulk of the cloth produced, on the other hand, is delivered to the consumer in the same form as it leaves the mill, but it is also treated as raw material by certain other industries, the chief of which is that engaged in the manufacture of tents, kit bags and other stores, usually for military requirements. In the same way the textile industry uses as its raw material the finished products of several other industries, *viz.*, Belting, China Clay, Magnesium Chloride, Indigo and various indigenous dyes, Caustic Soda, Sulphuric acid, tallow, soap, starches and sundry mill stores.

(60) The Committee, in conclusion, are strongly of opinion that the extent of the protection to be provided in the case of each industry should be regulated according to the requirements of that industry and that the ultimate aim and object of any system of protective duties must be the reduction to an absolute minimum in due course of the amount of protection afforded.

C. B. SAYER,
Secretary.

BOMBAY,
10th February 1922.

The Commission met at 11-5 on the morning of Monday, the 27th instant. Mr. Petit and Captain Sassoon, representing the Bombay Millowners' Association, were called in and examined.

(The answers were generally given by Captain Sassoon. Wherever Mr. Petit replied his name has been indicated).

20103. *President.*—*Q.* Gentlemen, you represent the Bombay Millowners' Association?

A. (Mr. Petit) Yes.

20104. *Q.* In answer to question 5 you say "The Committee consider that the existing tariff policy has proved detrimental to Indian interests, has hampered the progress of new industries in the country by reason of the severe competition with imported products which it has entailed, and is likely to continue to operate to the disadvantage of Indian industries so long as it remains in force." Will you please explain how you came to these conclusions?

A. (Mr. Petit) The highly technical product of European countries has caused such a severe competition that the Indian products have absolutely no chance against them.

20105. *Q.* You mean through a free trade policy. Is it?

A. (Mr. Petit) Yes.

20106. *Q.* That is to say, your view is that under the present policy it has not been possible for the Indian industries to successfully compete with the foreign industries in spite of natural advantages?

A. Quite so.

20107. *Q.* In answer to question 35 you say: "On general grounds the Committee are favourable to the idea of Imperial Preference and they do not consider that India, by adopting the policy of Imperial Preference to the limited extent proposed in the following paragraphs is likely to incur any appreciable economic loss." Assuming for argument's sake that the policy that you advocate would entail an appreciable economic loss, would you still be in favour of Imperial Preference?

A. Of course not. (Mr. Petit) So far as I am personally concerned I may say that I am not in favour of this. It is the view of the Committee. (Captain Sassoon) As long as there is no loss, only a very inappreciable loss, the policy of Imperial Preference is supported. But if it meant any serious loss, then our Committee would not have it.

20108. *Q.* Don't you see, Captain Sassoon, that these words serious and appreciable do not have any definite meaning? You use the word "inappreciable" to the extent that your Committee meant to use it?

A. I think the Committee voted for Imperial Preference from what you might call a sentimental point of view.

20109. *Q.* Therefore you are not much in favour of Imperial Preference if it would involve economic loss to the country?

A. Exactly so.

20110. *Q.* In answer to questions 37, 38 and 39 you recommend the adoption of the policy of Imperial Preference to the same degree as it exists in South Africa, which you say consists usually of a rebate of 2 per cent. *ad valorem* and might be applied to certain classes of piece-goods, metallic ores, motor cars, etc., *i.e.*, only goods for which India is likely to have to depend on other countries for some considerable time to come. You know that any preferential treatment that you give would benefit the Empire countries to that extent. Otherwise, there is no meaning in it. Therefore 3 per cent. *ad valorem* in favour of Empire countries would benefit the Empire countries to that extent at the cost of the Indian consumer.

A. Not necessarily.

20111. *Q.* Will you please explain it? I am very much interested to know what your answer to that question is.

A. There is only a very small percentage in favour of Empire countries. So much depends on market conditions and outside conditions that it would be very difficult to say exactly how it will work out, and whether actually the consumer would have to pay.

20112. *Q.* That is a general proposition with regard to all import duties. Is it not? There are the transport charges, the middlemen's profits, and several other things.

A. It is a question of the percentage the duties would form to the total charge.

20113. *Q.* Assume that both conditions are the same. Assume that the duty on certain classes of piece-goods from England was 7 per cent. and on identical goods coming under identical conditions from Japan and Germany was 10 per cent. Would not the value here be regulated on the 10 per cent. basis, everything else being the same?

A. No. The advantage which Great Britain would then have over Germany being very small, it is more than possible that Germany might be prepared to take 3 per cent. less for her goods. It might mean smaller profits to Germany. I do not think the price to the consumer would vary very much, especially in the case of piece-goods.

20114. *Q.* What would be the benefit to England of the preferential treatment then?

A. The benefit would be that England will be able to resist the attacks of, say, Japan rather more easily than she would otherwise.

20115. *Q.* If there is a benefit it results to England in one of two ways. Either she more successfully competes with Japan by the benefit she secures in the differential duty or Japan is unable to compete.

A. I think we have to mention the amount of the duty. I think what you have said will be entirely right if it is a

large duty. But if it is restricted to 3 per cent., if there is any difference at all in the import price it will be negligible.

20116. *Q.* That is to say, the foreign country which competes will manufacture at reduced rates?

A. If it is only 3 per cent.

20117. *Q.* Three per cent. at the present rate is 25 per cent. of the total duty. If the duty is 60 per cent. it would be negligible. If it is, say, 10 per cent., 3 per cent. is nearly 25 per cent.

A. May be 25 per cent. of the duty. A commercial man does not think of it in terms of the duty. He only sees how much is added on to the cost.

20118. *Q.* Will his price be calculated on the 7 or 10 per cent. basis?

A. It means to say that he is going to take less, by this handicap, to the extent of 3 per cent. But I am prepared to admit that personally I doubt whether this is going to be a very material advantage to the home country.

20119. *Q.* The point is this. Imperial Preference is either materially advantageous to the Empire countries or it is not. If it is an advantage, then that benefit is paid by the consumer. If it is not, if the consumer pays nothing, it is of no value.

A. It may be of no value. I am not saying that this 3 per cent. is of any value.

20120. *Q.* But it must be either the one or the other?

A. I have already said that the Committee's idea is this as a graceful compliment they are prepared to subscribe to Imperial Preference. But they do not intend that it should go further than that. (Mr. Petit) It is my Committee's resolution, Sir. I want to make it clear that I do not agree with it. I have the permission of my Committee to say so here.

20121. *Q.* In your answer to question 42 you say "The Committee, however, are emphatically opposed to the introduction of any indirect method of preferential treatment similar to that attempted two years ago in the interests of British manufacturers when the Government of India, by means of an executive notification, placed unnecessary and unfair restrictions upon the import of dyes into India from countries other than the United Kingdom and thus practically forced both merchants and consumers to purchase their requirements from British manufacturers to the exclusion of others." If preferential treatment is likely to produce such results you would be opposed to it emphatically?

A. Yes. I may point out that in our answer to question 43 there is a misprint. 90 per cent. is wrong. The clause should be "The membership of the Bombay Millowners' Association is repesentative of 84 per cent. of the cotton mills in Bombay."

20122. *Sir Manakjee Dadabhoy.*—*Q.* I suppose 90 per cent. includes outside mills?

A. It is 37 per cent. of those in India and 84 per cent. of those in Bombay. If you take spindles the Association represents 85 per cent. of the spindles in Bombay and 50 per cent. of those in India.

20123. *President.*—*Q.* In answer to question No. 50 you say: "For the reasons above given it will be apparent that the textile industry in this country requires protection in respect of certain branches of the trade, such as (1) hosiery, (2) calico printing and (3) cotton blankets." Are these things manufactured in India at present?

A. Yes.

20124. *Q.* Are you unable to stand competition with Japan in the manufacture of hosiery?

A. At present we are unable to compete.

20125. *Q.* You are not able to compete even with the $7\frac{1}{2}$ per cent. protection which you get out of the revenue?

A. (Mr. Petit) We are not able to compete.

20126. *Q.* Why is this so with all your natural advantages?

A. I don't think that one would be likely to embark on a large scale of manufacture on hosiery with only $7\frac{1}{2}$ per cent. protection. Anyway that is the view of my own particular firm.

20127. *Q.* What is the Committee's view?

A. The Committee's view is that they need protection. As far as hosiery is concerned, if protection is given, the industry could be built up very rapidly into one that might need protection perhaps less and less later on.

20128. *Q.* How much protection would you want?

A. I would suggest 25 per cent.

20129. *Q.* Calico printing is not done in India?

A. Only very little, two or three mills, but of course calico printing is very difficult. It has to be done on a very large scale and in groups as is done at home. It cannot be done really successfully by individual mills. This would probably need a greater protection than the hosiery would.

20130. *Q.* You have used the words "heavy import duties." I want to know your idea.

A. Our Committee did not go into the question of percentages but I would suggest for some years at any rate of a duty of 40 per cent. to give the necessary protection.

20131. *Q.* And for cotton blankets?

A. (Mr. Petit) It is one which would probably only need protection temporarily and I suggest 25 per cent.

20132. *Q.* When we are dealing with these three branches of the cotton industry, I should like to draw your attention to the fact that several witnesses in other parts of India have brought to our notice that the cotton mill industry has made enormous profits during recent years. Have you by chance worked out what your average profit before and during the war period on the entire capital invested in a factory comes to. For instance the capital of these big concerns is divided into three parts; some companies have got ordinary share capital, preference share capital, debenture capital and working capital, and the total amount of capital so employed resulted in the profits that arose.

A. (Mr. Petit) It is very difficult, Mr. Chairman, to decide on what basis you are going to estimate the capital. If you take the capital as being the replacing cost, say, of the industry last year, you would probably find that the return is not an extravagant one, but if you take only the actual cost based on times when machinery and land and buildings were cheap, it would probably be a very large return and it would vary from mill to mill from the point of view as to when they were built and therefore what extra advantage the rise in prices gave in each particular case.

20133. *Q.* You have gone away from the particular point. I am leading up to this point, when you are asking for such heavy protection.

A. Only on certain articles, we ask for heavy protection.

20134. *Q.* I know, I am generally dealing with the whole industry and the profits made by the industry as a whole.

A. (Mr. Petit) We are not asking for heavy duties on our industry as a whole.

20135. *Q.* My point is that the industry as a whole has made enormous profits. Some parts of the industry may not have yielded equally large profits, but that would not be a sufficient reason to increase the protection. I am now dealing with the industry as a whole and I quite realise the point which you have made that the profits would depend upon the original cost of the factory and the cost of replacement. I don't want to enter into that question. Assuming that the profits are to be worked out on the original capital, even then there are three different classes of capital. Ordinarily the capital is obtained thus, ordinary share capital which takes the profit or loss; the debenture and preference share capital whose income or say return from the industry is limited to the percentage at which that money is borrowed; and the working expenses which are borrowed at a fixed rate of interest either from the Managing Agents or from the Banks. Now in the allocation of the profits we will say that a fixed rate of interest is paid on the working capital, a fixed rate of interest is paid on the debenture and preference capital and the balance is the profit or loss of the ordinary shareholders. Is it not so?

A. That is so.

20136. *Q.* Now instead of working on that basis you work out a uniform rate of return on the total capital invested, what would be your return? Can you tell us?

A. (Mr. Petit) I have seen some figures. It is not more than 10 per cent.

20137. *Q.* We have been told 100 per cent. and 200 per cent.

A. On the ordinary capital perhaps.

20138. *Q.* The factory can only be worked successfully by the entire capital in whatever way it is obtained.

A. If you take into consideration the working capital which might have been borrowed from Banks or Managing Agents, I would be prepared to assert that it would certainly not be more than 10 per cent.

20139. *Q.* Can you give us at your leisure by working out the result of two or three or even five companies on the basis I have mentioned and send it on to the Secretary?

A. Will you take into account the assets, and if so, at what rate?

20140. *Q.* Take the value as published in the Balance Sheet.

A. If we take the Balance Sheet of mills that may have been sold to another company at the top of the boom price, the return would be a great deal less than even 10 per cent.

20141. *Q.* Take normal conditions where companies have not changed hands, or take a few of those who have not

changed hands and four or five of those who have and give us the figures in two or more groups.

A. (The witnesses have agreed to prepare a statement and submit to the Commission.)

20142. *Sir Manakjee Dadabhoy.*—*Q.* You have got in your Association millowners outside the Bombay Presidency too.

A. Yes, we have.

20143. *Q.* I understand that your Association is in favour of a cautious, well considered and scientific system of protection.

A. (Mr. Petit) The majority of them.

20144. *Q.* Well, then I will put on record that the written evidence represents the views of the majority of your Association.

A. (Mr. Petit) So far as Imperial Preference is concerned.

20145. *Q.* And the rest is unanimous.

A. (Mr. Petit) Yes. I thought that your former question related to Imperial Preference.

20146. *Q.* Except the question of Imperial Preference, the rest of the opinion is unanimous.

A. Yes.

20147. *Q.* In the opinion of your Association this protection in order to be effective should be adequate.

A. Yes.

20148. *Q.* And the divergence of the protection will depend upon the merits of individual industry.

A. Yes.

20149. *Q.* Then I find from your written statement that your Association is in the first instance inclined to give this treatment to industries that are already in existence.

A. Yes.

20150. *Q.* That should be the primary consideration of this Commission.

A. The main thing is to foster indigenous industries.

20151. *Q.* Which are in existence.

A. As they are most in need.

20152. *Q.* You have also asked that protection should also be extended to establish new industries by means of a protective tariff.

A. Yes.

20153. *Q.* On this question we have had divergent opinions. In some parts of India which we have visited, we have been told that if protection is to be given, it should be confined strictly to industries which are in existence and which are struggling. Have you got any special reasons for recommending protection for industries which have not been started, which have not been tried and which have not been experimented in this country?

A. (Mr. Petit) There is no industry which cannot be started in this country. With abundance of raw materials in this country, there are very few industries which can successfully compete with the highly specialised products of the West unless they are given adequate protection in the early stages of their development. In spite of our enormous advantages of climate, of raw materials and of labour, it is impossible for India to compete successfully with the West unless it is protected in the beginning to such an extent and for such length of time as will make it possible for them to build up her industries to compete successfully with the West.

20154. *Q.* So, in your opinion new industries could be advantageously started in this country and protection would afford a stimulus to them.

A. Yes, possibly protection is the only way by which industries can be built up.

20155. *Q.* India being an extensive country with enormous resources in raw materials your Association is of opinion that protection should be given in cases where the consumption of goods to be produced is sufficiently large.

A. Yes.

20156. *Q.* Your Association is not apprehensive of any danger by foreign capitalists coming into this country and establishing industries on the same footing as you yourself.

A. (Mr. Petit) It would be an advantage, if foreign capitalists were to start industries here. Probably they might get over local difficulties which could be taken advantage of by the commercial community generally later on.

20157. *Q.* Am I to understand that your Association would handicap foreign capital coming into this country by imposing any conditions?

A. (Mr. Petit) I think that even on this matter there was some disagreement. Some of us feel that foreign capitalists ought not to be allowed to come in here and erect factories and take advantage of the protective tariffs. There is another section which thinks that it should be advantageous to allow them to do so because if they come and pioneer certain industries in this country, they could be taken over by Indians in course of time.

20158. *Q.* You think that on the whole it would be advantageous.

A. Because the foreign capitalists would bring certain industries within the reach of India.

20159. *Q.* The reason why I am asking you is that some very wild schemes have been put before us and I would like to have the considered opinion of your Association because it is the premier Association and because it carries so much influence, weight and authority. We would like to know if it is at all decided to impose any conditions on foreign capital, whether it could be done in any sensible or reasonable way.

A. (Mr. Petit) So far as our Committee is concerned some are of opinion that the foreign capital should be allowed to come in and erect factories here and take advantage of our protective tariff and thus indirectly help the country to establish those industries by taking advantage of the people in those industries. There is another way and that is these people should be allowed to come with certain conditions, namely that 50 per cent. of the capital might be confined to Indians and a certain proportion of their Boards should be Indians and so forth. These restrictions may be imposed and the same object attained.

20160. *Q.* With reference to the latter part of your answer, I want to ask whether it is a feasible scheme. It is all right to say that so much percentage should be subscribed by Indians, but can you prevent the selling of these shares?

A. Yes.

20161. *Q.* Would you not depreciate the value?

A. (Mr. Petit) I don't know that. In the Nizam's Dominions the condition is imposed that a non-Indian would not be a shareholder. I myself own two factories there. We are told that it works very well and so far as we are concerned it works well.

20162. *Q.* I have also my factory in the Nizam's Dominions. There the rule is imposed more out of diplomatic considerations and not with a view to shutting out foreign capital.

A. (Mr. Petit) My point is that if it was found possible to impose this condition, no matter whatever the object was, it is equally possible in British Dominions and for a much better purpose.

20163. *Q.* I want a feasible and practical scheme.

A. (Mr. Petit) Personally I see nothing harmful or nothing impossible in it. If you make it a condition during the time of flotation by a foreign firm in India that 50 per cent. of the shareholders would not be non-Indians, there it is and they have got to carry out and each time the share is transferred it should be seen that it is not transferred to those who are non-Indians. It may mean a certain amount of hardship and I don't see why it should not work. There will be people who would try and get over these difficulties possibly by transferring shares; surely a way could be found to see that it does not happen.

20164. *Q.* It won't depreciate in value.

A. (Mr. Petit) I don't think so.

20165. *Q.* If I take a share as an Indian and I want to dispose of it, there are two people offering, one a European and another an Indian. The European offers me a higher price. Would it be fair that I should be limited to sell it only to an Indian?

A. (Mr. Petit) Ordinarily it would not cause, I think, any hardship, and even if it did, for the sake of the larger interests involved, we ought to insist.

20166. *Q.* Would money be forthcoming under these conditions?

A. I think so. (Captain Sassoon) That of course is Mr. Petit's personal view, and not the view of the Association.

20167. *Q.* You say in your written statement so far as protection is concerned that even if it affects the consumer you are prepared to go in for that.

A. Yes.

20168. *Q.* You don't mind the consumer suffering. Your Association thinks that he has to suffer.

A. The individual interest must be sacrificed to the general interest of India.

20169. *Q.* There is one other thing, that is about the export duties. Your Association, I understand, is against export duties generally.

A. Yes.

20170. *Q.* You say: "The only circumstances in which the Committee can envisage the necessity for such action are the existence of famine upon a large scale". It is only in that case you would make a divergence.

A. Yes.

20171. *Q.* Instead of imposing an export duty would you prefer total prohibition in those circumstances?

A. I think the Committee did see the possibility that total prohibition would perhaps be better in that case. Personally I think that prohibition would be better.

20172. *Q.* Total prohibition by an executive order would be preferable.

A. Yes.

20173. *Q.* About the question of Imperial Preference I want to ask a few questions in order to clear up the position. This scheme which you have formulated of, say, giving 3 per cent. preference you will admit that it will have hardly any effect either on the imports or on the prices.

A. We don't consider that it would.

20174. *Q.* Practically then, England will not be benefited by such a scheme.

A. That is our view.

20175. *Q.* Would it not be better to say straightway that we will not give you protection than make a hypocritical show of mock preference?

A. Some parts of the Empire might consider that it did give them preference. I mean that when you are deciding on the value of a gift, some people might think it of value and others might not think so.

20176. *Q.* You will credit other nations with commonsense to see that what you are giving is no preference at all?

A. We don't consider that 3 per cent. preference would hurt India, but if it benefits the other side, so much the better.

20177. *Q.* I am not talking of hurting India at all. I am at one with you on the point of sentiment. I would prefer for our attachment to Great Britain and other things to give them some preference if we can do without economic loss to India and if it puts England on some good commercially preferential basis but the scheme which your Association has put forward appears to give no protection at all.

A. If you could evolve a scheme of protection which would not hurt India in any way and at the same time would benefit Great Britain we are prepared to say that we favour that. Our Committee were trying to find something which would not hurt India and which at the same time they hoped might benefit the home country. We will go further and say that if you could evolve something which would without hurting us afford protection to the home country we will strongly favour it because it would help us then perhaps to have a concession which could be withdrawn in the event of unjust restrictions in our opinion in other parts of Empire.

20178. *Q.* You will admit so far: that any scheme should be on a reciprocal basis?

A. I should certainly think so.

20179. *Q.* If that position is admitted, will you please explain how England is going to be benefited? Already two-thirds of our imports, about 70 per cent., comes from the United Kingdom. How is England going to be benefited?

A. We are not looking at it from the point of view of how much benefit England will get out of our pocket. We are only looking from the point of view of how much harm it will do to our interests. If any scheme of preference is suggested to us which will not harm us we would accept it.

20180. *Q.* If it is going to harm, would you accept it?

A. No. (Mr. Petit) If it is going to benefit England it must harm us. Any special concession by way of Imperial Preference given to England or any Colonies must work out in effect to a loss to India. If it is going to benefit them it must harm us. There is no middle course.

20181. *Q.* On one point your Association is unanimous that if we think of going on a policy of Imperial Preference, it should not be extended to those colonies which refuse to accord equal treatment to India?

A. That in fact is one of the possible reasons why Imperial Preference was adopted by the Committee.

20182. *Q.* You say: "So far as counts from 30s upwards, both double and single, are concerned the most serious competition comes from the United Kingdom, but the industry can more than hold its own in counts below 24s. Competition in the higher counts comes, in a lesser degree, from Japan, while, mainly on account of her depreciated currency, Italy has entered the market for counts from 16s to 30s." So far as 30s and upwards are concerned there is no competition between the United Kingdom and England?

A. Very little.

20183. *Q.* And would you give protection for the manufacture of yarns above 30s?

A. I think the Committee at the moment do not suggest that they should be protected. At the same time they foresee the possibility of the industry becoming able to supply in a large scale higher counts. When that stage comes they should be protected. They do not leave out the possibility of protection at some future date.

20184. *Q.* But the cumulative effect of what you have stated in paragraphs 48, 49 and 50 seems to be,—I may be wrong and you may correct me if I am,—that in the opinion of your Committee protection should not be extended to the industry except in the matter of hosiery, calico printing and cotton blankets?

A. That is at present. But certain members of the Committee did point out that there might come a time when it might be considered necessary to protect the industry from the competition of the higher counts which at the present the industry is practically leaving to foreign manufacturers.

20185. *Q.* You will admit that so far as China and Japan are concerned they do compete with India so far as the lower counts are concerned?

A. Yes.

20186. *Q.* Would you not give protection to India against Japan and China so far as these lower counts are concerned at the present time?

A. We have certain natural advantages in the lower counts which we do not have in the higher counts. That is the main point.

20187. *Q.* Despite the existence of this competition would you not give any protection?

A. No; but there is one exception, and that is dumping. If it is a case of fair competition,—as far as Japan is concerned—and if they charge the same price as they charge in their home market, I think we can compete with them. But if it is a case of dumping, transport facilities and so on, to make the competition unfair, there might be a case for protection. As far as China is concerned, I think it is too early yet in the history of China's development, for her to be able to compete with us. My own view is that it is very possible that in the future China might be in a position to compete very successfully with us. She is even better laid out naturally than we are. We expect keener competition from China than Japan.

20188. *Q.* When you said that you are in a position to compete with these people, am I to understand that you are in a position to compete both in Indian and in neutral markets?

A. It is very difficult for us to compete in China, because the Chinese mills, as far as yarn is concerned, are capable of producing a large quantity—especially the mills in northern China. We have lost that market. I am afraid that we would not be able to put an excise duty on yarn produced in China.

20189. *Q.* If more mills spring up in China and China exports largely to our market, what will you do?

A. I do not think China will export. Her own needs will be more than sufficient to absorb all her production if she even doubles her mills. (Mr. Petit) If she starts competing with us we can then consider the imposition of an import duty.

20190. *Q.* At present she is able to absorb all her production?

A. And still to import.

20191. *Q.* And the case with Japan is different?

A. Yes. Japan exports; China does not export.

20192. *Q.* Do you know that during the war there was dumping of Japanese piece-goods in India?

A. How do you call it dumping during the war?

20193. *Q.* At the end of the war, in 1918, the year of the armistice?

A. There were some imports here at very low price.

20194. *Q.* How did it affect the Indian markets?

A. The actual amounts that were sold here were not sufficient to really affect the industry. I think it was a sentimental effect.

20195. *Q.* I understand your Association is prepared to meet that sort of competition?

A. As far as the quantity is small.

20196. *Q.* But how can you regulate the quantity?

A. So long as it is insignificant you do not bother about it.

20197. *Q.* In principle you admit that a protective duty would be necessary against dumping?

A. Yes.

20198. *Q.* Are there hosiery mills in Bombay?

A. (Mr. Petit) A few mills have hosiery departments.

20199. *Q.* Are you turning out large quantities of hosiery?

A. (Mr. Petit) Yes.

20200. *Q.* And you think with a little protection the hosiery industry would thrive further?

A. (Mr. Petit) Yes.

20201. *Q.* Is it possible for calico printing to thrive in India? Do you think Indian labour is suitable for calico printing?

A. There would have to be good deal of imported labour to begin with.

20202. *Q.* Imported from where?

A. The experts will have to be imported from abroad.

20203. *Q.* I am talking of ordinary skilled labour and not expert labour?

A. I think we can get such labour,—probably not in large quantities, but it can be trained up. There is labour available, though it would not be very high class.

20204. *Q.* Am I to gather from the trend of your note that your Association approves the existing tariff policy enunciated by the Government of India in 1921,—I mean the increase in duties on imports to 11 per cent.?

A. (Mr. Petit) Our Association approves of it so far as the increase of the duty is concerned.

20205. *Q.* There is one more question and that is about yarn. We get a certain quantity of foreign yarn from Lancashire and other countries. That yarn is generally of a fine quality. Is it not?

A. (Mr. Petit) Very largely.

20206. *Q.* Has your Association considered whether a duty should be put on imported yarn?

A. (Mr. Petit) At present, I think the Association is of opinion that yarn should be left free of any import duty, and that opinion has been arrived at principally because we are convinced that the bulk of these imports is used in the hand-loom industry. That is the main reason why we have left it alone.

20207. *Q.* But another position has been placed before us on that point: that if you put a small duty on yarn, like the one you are putting on piece-goods, or even a smaller duty, you might encourage Indian mills to spin finer counts and ultimately the hand-loom weavers will get finer yarn from India, and India will be relieved of the necessity of importing it from abroad.

A. We have discussed that point in our Committee, and we think that the time for imposing a duty on finer counts of yarn would come when the mills put up machinery for spinning finer counts. When the mills did that and when there was very keen competition from Lancashire imported yarn and it was impossible for them to compete, then would be the proper time to impose a protective duty. We are open on that point.

20208. *Q.* Have you not got in Bombay some mills which are turning out higher counts?

A. It is a very small percentage. If ~~you~~ look at the Government figures above the 30s, it is a very small percentage of the total output of yarn.

20209. *Mr. Jamnadas Dwarkadas.*—*Q.* I want to clear up your Association's position with regard to Imperial Preference. I understood from your answer to the President and Sir Manakjee Dadabhoy that on sentimental and patriotic grounds you would adopt a policy of Imperial Preference in cases where it did not do any harm to India and it gave some advantage to the Empire.

A. There was perhaps some additional point that I mentioned later, *i.e.*, because it would benefit India to give a concession that could be withdrawn. But we are thinking first whether it would be of advantage to India.

20210. *Q.* Would you admit that such a policy should be adopted as would not mean any economic disadvantage to India?

A. Yes, unless we are convinced, when there is any economic loss, that there is a larger advantage counterbalancing the economic loss.

20211. *Q.* But those articles should be selected which India does not herself produce, nor is likely to produce for a long time to come. If it is a case of competition only between the foreign countries and the Empire, would you give preference to the Empire?

A. Yes, to the slight extent mentioned.

20212. *Q.* This does not mean any economic disadvantage to India?

A. Yes.

20213. *Q.* Now you advocate generally a policy of protection?

A. Yes, discriminating protection.

20214. *Q.* In your answer to question No. 12 you say: "With regard to the manner in which the discrimination suggested in the foregoing paragraph should be exercised, the Committee consider that protection should be extended in the first instance to those industries which are most likely to attain, within a reasonable period, to such a stage of development and organisation as subsequently to render the imposition of the duties in their case unnecessary." I think here you are aiming at this: that before you protect an industry you should take care that after a reasonable time it would be in a position to do without protection?

A. We chose those industries first.

20215. *Q.* Now it has been put to us by many witnesses that their experience of other countries tells them that once you protect an industry it is very difficult to remove that protection altogether. Do you realise that difficulty?

A. Speak to Mr. Petit on that point. (Mr. Petit) we do not understand why that should be so. Once the industry is protected in its earlier stages and it has succeeded in taking a strong hold in the country, we do not think why a stage should not be reached when they would be able to do without protection.

20216. *Q.* Who is to find out that stage? Don't you think that interested parties would create agitation for its retention?

A. (Mr. Petit) It will be for the organisation which will be established to find out when an industry does not need protection. If it is found out that the industry does not require protection, it would be possible to remove that protection.

20217. *Q.* At any rate, you would only select those industries which in the opinion of the expert committee which would be appointed for the purpose of examining these questions, would be able to do without protection after a reasonable period?

A. (Mr. Petit) We give preference to those industries. When after examination it is found that an industry can be brought within the purview of our recommendation, we maintain that it should be protected, and that directly that period is over when it required some protection, it should be left alone and allowed to stand on its own legs.

20218. *Q.* Would you specify the period?

A. (Mr. Petit) That will depend upon the circumstances for the moment. It will have to be determined by the Committee that will come in.

20219. *Q.* And you think a time is likely to come when you will be able to adopt a policy of free trade with all Countries that are sufficiently well developed?

A. (Mr. Petit) I am not sure of that. Possibly certain industries will require continued protection for a prolonged period.

20220 *Q.* Would you not exclude those industries?

A. (Mr. Petit) We would give preference to those which are likely to be able to stand on their own legs quickly.

20221. *Q.* And would you alter the amount of protection every year? Suppose an industry at the time it is decided to give protection to it requires 20 per cent. protection, but after a couple of years it requires less protection, would you like to reduce the protection?

A. (Mr. Petit) If a case is made out, I would certainly adjust the tariff. These are rather details which we have not gone into, but I would certainly admit the possibility of doing it.

20222. *Q.* You say in your answer to question no. 24: "Assuming that an increase in the tariff rates would tend to increase the cost of living in India the Committee are of opinion that, so far as the industrial and agricultural wage-earners were concerned, their wages would very soon rise in proportion, and in that order, but that the middle classes would suffer for a time as their wages or salaries do not bear the same relation to the cost of living. I hope that when you gave this answer you had in mind tariff duties on cloth or articles which are necessaries of life?

A. (Mr. Petit) Of course, yes.

20223. *Q.* If there is a rise in the cost of living in consequence of increased tariff duties, the wage-earner would get additional wages in proportion. That is your view?

A. (Mr. Petit) Yes.

20224. *Q.* You know that there was a rise in prices during the war?

A. (Mr. Petit) Yes.

20225. *Q.* And there was also a rise in wages?

A. (Mr. Petit) Yes.

20226. *Q.* Was the rise in wages in any way proportionate to the rise in prices?

A. (Mr. Petit) Oh, yes. I know.

20227. *Q.* We heard from Mr. J. A. Wadia the other day that while the rise in prices was 200 per cent. the rise in wages was not proportionate?

A. The point is one which I thought I would have to consider. We had certain figures giving the rise in the

cost of living based on principles which are very often expressed on a comprehensive way. Mr. Petit and I have been watching the people whom we pay and we have noticed that the surplus that our mill hands seem to get to-day, irrespective of how much the cost of living is supposed to have gone up, is more than it used to be before the war. In other words, they are better off to-day. People have written saying that the rise in wages has not gone up in proportion to the rise in prices, but we know that they are better off. Therefore, I say the figures may not have been based on the actual condition of the labourers.

20228. *Q.* I admit that they get more than they used to get.

A. I am speaking of the net result. The net result is they are better off to-day. The surplus is more than it was before: they spend more in drink; they buy more expensive drink than they used to buy before. Some of our mill hands we have seen buying in the streets fish and similar things which they could not have dreamt of buying before the war.

20229. *Q.* Their standard of living has not improved?

A. Their standard of living has not improved, but they have got more to spend in drink or in outside things than they had before. (Mr. Petit.) We have got statistics prepared by our committee last year and we find that wages have been rising in proportion to the rise in prices so far as the mill labourers are concerned. Their wages have risen to about a 100 per cent. I do not know where Mr. Wadia got his figures from. We have found out that with very few exceptions all our mills have given an increase of 100 per cent. on the labourer's wage bill. We have also got to bear in mind that so far as foodstuffs are concerned many of the mills supply at cost price to their labourers. So far as their quarters are concerned they are regulated by the Rent Act, and so far as their clothes requirements are concerned they are supplied by the mills if not at wholesale rates at least at very great reduction. So, so far as their three main requirements are concerned there is very little increase in prices, but they have got an increase of 100 per cent. in their wages.

20230. *Q.* You say foodstuffs are supplied at cost price by the mills to their labourers?

A. (Mr. Petit.) Yes.

20231. *Q.* Do they take advantage of that?

A. In many cases they do not.

20232. *Q.* Why?

A. (Mr. Petit.) There are difficulties. They are in the hands of sowcars.

20233. *Q.* Even if you give credit they do not take advantage of that?

A. (Mr. Petit.) Because they are indebted to a large extent to the sowcars. In any way it is not right to say that the rise in the cost of labour is not in proportion to the rise in the cost of living.

20234. *Q.* But the mere fact that you admit that they are constantly in debt to the sowcars shows that their economic conditions is not what it should be?

A. (Mr. Petit.) It is not due to less income. There are other reasons. They want to take long holidays; they want to run away and neglect work.

Q. 20235. You admit that they do not live in houses which ordinarily is not fit for human use?

A. (Mr. Petit. No. They are living in quite good houses. (Mr. Sassoon) I am prepared to say that they do not want to live in better houses. They have the means, but they are not willing to take up.

20236. *Q.* So, their standard of living is very low?

A. Their standard of living is low, but I am not certain whether they would not like to have extra wages to spend as they like in drink and such outside things rather than have it for an increase in their standard of living. I can support what I said about drink. The drink shops round the mills are selling more expensive and higher class liquor than they used to sell before the war.

20237. *Q.* However, I only put these questions to you to get this point from you: whether an increase in duty would not raise the cost of living for the wage-earner or not. You admit that the middle classes would be the greatest sufferers?

A. They always are all over the world.

20238. *Q.* So, in fixing up the tariff, you would certainly consider its effect on the middle classes and the wage-earners.

A. The labourers it would not affect, but the adjustment of wages for the middle classes, as is known all over the world, is always slower than for the wage-earners.

20239. *Q.* I think your Association would welcome the stablishment of foreign firms?

A. (Mr. Petit) Yes.

20240. *Q.* And I understood you, Mr. Petit, to say that you would insist on 50 per cent. of the capital being subscribed by Indians?

A. (Mr. Petit) That is my personal opinion.

20241. *Q.* Now, I want to put it to you, as a business man, whether it is a workable proposition.

A. (Mr. Petit) There would be difficulties, but I do not think that they would be insurmountable.

20242. *Q.* In many cases you will admit that Europeans and other forigners have given impetus to the establishment of certain industries which did not exist in India before? Suppose an Englishman or a foreigner wants to establish an industry which does not exist in India. Either the Indians do not understand the importance of it or they do not want to risk any money in it and refuse to put the necessary capital. Is India to suffer from the want of that industry and not allow foreigners to establish it when they are willing to do so?

A. I do not believe that Indians will refuse to establish any industry. Look at the mill industry? No Englishman or foreigner came and established it here. Look at the dyeing industry. No Englishman or foreigner came and established that industry here.

20243. *Q.* Leave the dyeing industry. Take the case of the dye manufacturing industry. Suppose a foreign firm wants to establish a dye factory in India.

A. (Mr. Petit) Well, the manufacture of dyes stands on a somewhat different footing, because it requires high technical skill.

20244. *Q.* There are industries in the establishment of which Indians cannot or would not take interest. If you put restrictions on a foreigner, it means that those industries would never be established in India.

A. I do not think it will never be established.

20245. *Q.* Don't you think that the establishment of an industry in India, no matter by whomsoever it may be, is a gain?

A. (Mr. Petit) That is the view our committee have taken. But I personally think that in the long run it might militate against our interests. Once they establish the industry there is a possibility of their sticking there and all the money they make out of the industry may go out of the country. Look at the mill industry. If it had been started by Lancashire, all the profits which now remain in the country would have been taken out of the country.

20246. *Q.* You say there is a danger of their sticking here, and of course they will send out all the profits they make out of the industry?

A. (Mr. Petit) Yes.

20247. *Q.* Now, at present you have got a constitution which has brought into existence representative institutions: you have got an elected majority in the Legislative Assembly and elected majorities in the provincial Councils?

A. (Mr. Petit) Yes.

20248. *Q.* And you are making a first approach to responsible Government?

A. (Mr. Petit) I hope so.

20249. *Q.* Taking this into consideration, don't you think that if foreigners establish their industries in India they will have to depend upon Indian support in the legislature for the successful carrying on of their industries?

A. (Mr. Petit) It would be all the same to them, unless you mean that we are going to differentiate between Indians and foreigners.

20250. *Q.* If they are doing anything which is likely to harm India's national interests, don't you think that the legislatures would be powerful enough to check it?

A. (Mr. Petit) I do not think so.
Unless you wish to interfere with their business later and make it impossible for them to continue their business, how are you going to prevent them from sending out their profits.

20251. *Q.* The fact that Indians will have power to control their business will be a factor which they will take into consideration, and they will have to favour Indians.

A. (Mr. Petit) I do not see why that should happen. How are you going to prevent them from sending out their profits, unless you are going to differentiate between foreigners and Indians in the future. Would you apply some restrictions against foreigners? You say that the mere fact that the councils will have larger powers now will be a safeguard against money being taken away. I fail to see that.

20252. *Sir Manakjee Dadabhoy.*— *Q.* You are using the word foreigners. Do you include Britishers also?

A. (Mr. Petit) I mean all non-Indians.

20253. *Mr. Jamnadas Dwarkadas.*— *Q.* I don't think you advocate any special protection to the cotton industry, do you ?

A. (Mr. Petit) No.

20254. *Q.* Except for those articles, hosiery and calico printing ?

A. (Mr. Petit) Yes when circumstances may demand I am quite open in that way.

20255. *Q.* You are opposed to excise duty ?

A. (Mr. Petit) Of course.

20256. *Q.* Do you think that if you remove the excise duty the present duty of 11 per cent. would be sufficient safeguard against foreign competition ?

A. (Mr. Petit) I would like it to be increased if necessary in the interest of revenue.

20257. *Q.* Do you consider that the 11 per cent. which you now get is sufficient for revenue purposes ?

A. (Mr. Petit) Yes sufficient for the present. But the conditions may change when we would consider that we have a case to ask for an increase.

20258. *Q.* With regard to cotton blankets, don't you produce cotton blankets ?

A. We do, but unfortunately chiefly owing to the exchange position we have to stop making the blankets. It is not a question of what profits we make, but owing to the present temporary depreciated exchange we are unable to compete. We suggest therefore a temporary duty because we look upon the depreciated exchange as one form of dumping.

20259. *Q.* So far as cotton blankets are concerned have you any competition from Japan ?

A. I think the competition is chiefly from Italy, and Austria. We want only a temporary protection.

20260. *Q.* Of 25 per cent. ?

A. That is my first suggestion. It is rather difficult for us to answer for a committee where a particular point has not been considered.

20261. *President.*—May I point out that if you find it difficult to answer a question that is put to you on the ground that the point has not been considered by your committee you will simply say that the committee has not considered the question. It is perfectly open for you to say so.

20262. *Q.* In your answer to question 49 your Association says, 'An additional advantage purely of its own contrivance, lies in the fact that the marketing of the goods is encouraged by the provision of cheap transport facilities'. How do transport facilities in India compare with the transport facilities abroad, in Japan and other countries.

A. (Mr. Petit) Do you mean inland ?

20263. *Q.* I mean inland as well as export and import purposes.

A. (Mr. Petit). We are labouring under very great disadvantages that it is possible for Japan to ship piecegoods to India at a price very often less than it is for us to take from one part of India to another.

20264. *Q.* What is that due to ?

A. (Mr. Petit) Owing to special concessions that the Japanese Government give and also to the banking facilities, and exchange concessions that are given to the Japanese firms.

20265. *Q.* All these concessions indirectly give protection ?

A. (Mr. Petit) Exactly.

20266. *Q.* Would you suggest similar concessions here ?

A. That has not been considered by the Committee.

20267. *Q.* With reference to your answer to question 29, does your committee suggest a permanent organisation ?

A. The committee suggests that the decision of such questions must rest with the legislature.

20268. *President.*—*Q.* Legislature as opposed to the executive Government ?

A. I take it that the legislature will have to consider the question of duties.

20269. *Mr. Jamnadas Dwarkadas.*—*Q.* The final decision rests with the Legislative Assembly. But the question is whether you would recommend a permanent organisation.

A. We suggest that there should be an organisation consisting partly of the executive and partly of experts which would advise the legislature which I take to be the combination of the executive and the Legislative Assembly.

20270. *Q.* Did your committee consider the constitution of the organisation ?

A. Our committee did not go into that. We considered that in a haphazard way.

Mr. Mant—

20271. *Q.* Will you tell me how many members there are in your Association ?

A. I think there are about 60 to 80 members.

20272. *Q.* Mostly of Indian-owned mills ?

A. The bulk of them are.

20273. *Q.* Your Association is predominantly Indian ?

A. Yes.

20274. *Q.* Just now we were told that there was a difference of opinion on certain points and that the majority were of one view and the minority of a different view. I suppose that the majority were also predominantly Indian.

A. The minority also are predominantly Indian. I do not think that the question of Indian and non-Indian really comes into the question. There are Indians who have views on one side and there are also Indians who have views on the other side.

20275. *Q.* Your Association recommends the imposition of protective duties on industries which have not been started at all ?

A. (Mr. Petit) On both, those that have been started and those that have not been started.

20276. *Q.* I want to consider the question of new industries. I presume that you would not recommend a protective duty being imposed unless there were very good grounds for believing that the industry would be started quickly.

A (Mr. Petit) Yes that is so. Mr. Sassoon : We have not discussed the detail.

20277. *Q.* It is recognised that putting a protective duty on an industry raises the price to the consumer ; and if a duty is imposed on an article which is not manufactured in the country there is likely to be a heavy burden on the consumer before the production is encouraged. I wanted to know whether your Association had any suggestions to make as to the points on which the Government or the permanent organisation should satisfy itself before imposing the duty.

A. (Mr. Petit) I think that the Association considered that it would be taken into consideration by a technical advisory committee.

20278. *Q.* You said just now that the Committee did not consider the constitution of the permanent organisation.

A. No.

20279. *Q.* Do you know the arrangement that has been made by the 'Safe-guarding of Industries Act' at home in England ? They have a permanent panel, and when particular industry claims a protective duty under the Act, a jury is appointed from this panel to hear by public enquiry the claims of the industry and also any objections raised by others who may be affected. Can you tell me whether some organisation like that would be suitable here ?

A. It was not considered in the committee and I cannot give an opinion.

20280. *Q.* I notice that your Association condemns export duties very strongly and they say that under no circumstances should they be levied for revenue purposes. Your Association is aware that for a large number of years there has been an export duty on rice. Do they consider that it has been causing material damage to the country ?

A. I think our general belief is that unless it is considered necessary to control the export of foodstuffs, it should not be levied. Because if it is levied it will bring the price down so low in the country as to discourage the production and although it might allow a loophole I think our feeling is that it should not be done as a general rule, except in the case of jute, shellac and to a smaller degree on tea.

20281. *Q.* Your answer to 31 is rather inconsistent with your answer to 32.

A. It is already stated under 32 that they do not consider it desirable, although in those cases of monopolies it would not have serious effect.

20282. *Q.* What I ask you is whether the export duty on rice which has been in existence for a large number of years has done any practical harm to the trade ?

A. We have not considered that point and we are not therefore in a position to answer.

20283. *Q.* The question of Imperial Preference has been discussed and I want only one point to be cleared up which seems to have been overlooked. In the previous discussions great stress was laid on the question of loss to India. I have heard no mention of any gain to India. Does your Association consider that there is nothing to gain for India ?

A. I have tried to make it clear that where it might be favourable or shown to be favourable that there was a gain,

20284. *Q.* I do not mean a sentimental gain. I mean that the preference given to her by other members of the Imperial commonwealth would be an economic gain.

A. That question has not been before the committee.

20285. *Q.* You have not considered the question of any possible gain from preference given to her exports?

A. We thought there might be minor gain, but on the whole as we generally export raw materials it is difficult to give us any gain.

20286. *Q.* I only ask you whether your Association had considered the other side of the case, the possibility of a gain?

A. (Mr. Petit) The Association is unanimous on this point that there should be no preference as regards the colonies.

20287. *Q.* That is another matter.

A. (Mr. Petit) That rules the matter out.

20288. *Q.* There is the British market.

A. Then the question of giving preference to the colonies does not arise.

20289. *Q.* The question that I ask is whether you have considered the possibility of any gain to India from preference given to her exports in the markets of the Empire.

A. You say that it does not rule the question.

20290. *Q.* There is the British market. If you have not considered it we may drop the matter.

20291. *Q.* As regards cotton your Association considers that at present no further protection is required by the industry except in two directions, hosiery and cotton blankets.

Sir Montague Webb: And calico printing. Mr. Mant: I understand that you do not ask for protection for calico printing at present. Sir Montague Webb: 40 per cent.

A, We ask for 50 per cent., but the committee are not disposed to recommend for consideration until such time as they are satisfied that those responsible for its promotion are in a position to embark on the industry on a sufficiently large scale as to render protection necessary or expedient. We foreshadow on that particular point.

20292. *Q.* You speak of the future. I am talking of the present, I want to know whether the hosiery and cotton blankets have been manufactured in India for many years or whether they were started only recently.

A. It has been in existence for many years but it has not been developed on account of large imports in the past.

20293. *Q.* Have there been large imports of hosiery for many years?

A. (Mr. Petit) Very large, particularly from Japan. It has militated against the growth of this industry in this country.

20294. *Q.* The local industry has not been able to make headway against this foreign competition.

A. (Mr. Petit) Quite so.

20295. *Q.* The same is the position in regard to cotton blankets also?

A. Cotton blankets has developed very largely in the past years, during the war.

20296. *Q.* Therefore the industry has developed only recently.

A. Yes.

20297. *Q.* Is your supply equal to the demand?

A. We supply a very large demand.

20298. *Q.* They were largely imported before the war and during the war you developed the industry.

A. Yes the industry was developed during the war.

20299. *Q.* Now you rather dread the foreign competition coming again.

A. (Mr. Petit) Yes, Germany, Holland and Japan are three biggest sources of fear.

20300. *Mr. Birla.*—*Q.* I understand that the views expressed in your written statement are the views of your committee.

A. (Mr. Petit) Yes.

20301. *Q.* I don't think that the statement was put before the general body?

A. No it was the committee that considered it.

20302. *Q.* Since I find that your committee differs in two very important matters, that is in the matter of the Imperial Preference and the foreign capital, I should like to know what is the number of members in your committee.

A. Of course that is not always a full committee. All the members do not generally attend the meeting. The committee consists of about a dozen. (Mr. Petit) The right way to put it is that the committee consists of 75 per cent. of the members. The members are counted by mills and a certain member represents several mills. Thus Captain Sassoon represents seven mills and I represent four or five mills,

20303. *Q.* Each member has got one vote?

A. We vote by mills in case of a poll. Mr. Petit represents several members and so carries several votes. The view of the general body would have been very much the same.

20304. *Q.* I simply wanted to know the number of the minority and the number of the majority when you prepared the statement.

A. In arriving at these things we tried to discuss in a friendly way. We very seldom put these things to the vote. But on these two points the committee divided into two camps; Mr Petit represents one camp and I represent the opposite camp.

20305. *Q.* I simply want to know what number of members Mr. Petit represents and what number you represent.

A. You mean in the committee?

20306. *Q.* Yes, in these two matters.

A. I don't remember exactly what number.

20307. *President.*—I do not see why these questions should be asked. We are only concerned with the general feeling of the majority in the committee.

Mr. Birla.—I simply wanted to know whether the minority was a large minority or a small one. That was my point.

President.—We can get at that information without going into thequestion of vote.

20308. *Mr. Birla.*—*Q.* Was it a big minority or a small minority?

A. There was a 50 per cent. additional majority. The majority was 1½ to 1.

20309. *Q.* So that the minority was also a fairly representative one?

A. Yes, it was representative.

20310. *Q.* I would like to know, Mr. Petit, what was the chief objection of the minority to the foreign capital coming into this country?

A. (Mr. Petit) The chief objection was that once a factory is built with foreign capital they feared that all the money that would be earned from the interest would continue to go out of the country and the industry would not be essentially Indian as it ought to be.

20311. *Q.* Is the view which Mr. Petit expressed the minority view?

A. (Mr. Petit) It is my view. This was not discussed at any length by the Committee. It was only casually discussed.

20312. *Q.* Mr. Petit, you don't think that apart from the employment of labour, there won't be any benefit to India by the employment of foreign capital.

A. Not very much.

20313. *Q.* I find that the same views have been put forward by the Ahmedabad Millowners' Association and may I take it that the larger number of millowners do hold this view that foreign capital without any restriction is not desirable in this country.

A. (Mr. Petit) You can not say that.

20314. *Q.* The Ahmedabad Millowners' Association have expressed that view.

A. We don't know what they have said. (Mr. Petit) On the contrary the majority of the Committee feel that it would be advantageous to the country to allow foreigners to come and erect factories because that would place within the possession of the country technical and expert knowledge which would otherwise be difficult to get and because ultimately these factories would come within the possession of Indians and would help the establishment of other industries.

20315. *Q.* You told Sir Manakjee Dadabhoy that some of the mills have already started spinning finer counts of yarn. Did you not say that?

A. Some are spinning.

20316. *Q.* Under the circumstances in order to encourage the spinning of finer counts would you not advocate imposing a duty on yarn?

A. (Mr. Petit) The Committee did not consider that this was the proper time to put a duty on finer counts of yarn.

20317. *Q* Do you think that the time has not come?

A. (Mr. Petit) I don't think so, but if it is found necessary, we have no objection to doing it.

20318. *Q.* You would prefer to wait and see.

A. (Mr. Petit) At the present moment it is not in our opinion necessary.

20319. *Q* Will the imposition of a duty on finer counts of yarn in any way affect the handloom industry?

A. It will handicap because we feel that a large bulk of imported finer counts of yarn is being used by the handloom industry.

20320. *Q.* It has also been suggested to us that in the interests of handloom industry the present excise duty should be maintained and should not be removed. Do you think that there is a great amount o· truth in this argument?

A. Our own view is that there is no reason why the handloom industry should compete in any way with the powerloom industry. The handloom industry can be developed a great deal more than at present without in any way competing with us.

20321. *Q.* Do you think that there is no serious competition between the two industries, handloom and powerloom?

A. We think that there should not be, but wherever there unfortunately it will be against the handloom industry; that is obvious.

20322. *Q.* If you find that there is competition in that case would you be prepared to have this excise duty or remove it altogether?

A. We have not considered that point but I don't think that it is reasonable to expect that powerlooms should be crushed and handlooms encouraged at the expense of the former.

20323. *Q.* Your attitude towards the handloom industry is sympathetic.

A. Yes.

20324. *Q.* In what way would you support it?

A. The Committee did not go into this question in detail. If the Commission would like my personal opinion I have got certain suggestions to make as to how the handloom industry could be developed without having the competition of the powerloom to withstand.

20325. *Q.* Any way you don't support the excise duty. In the first place there is no competition between the handloom and the powerloom industries.

A. There should not be and there is no necessity for a competition. Even if there is, I don't think it reasonable to insist that support should be given to the handloom industry at the expense of the powerloom industry.

20326. *Q.* In the second place it was imposed to protect the Manchester interests.

A. Yes. (Mr. Petit) You must be prepared to use power in future and you don't want to encourage the handloom industry at the expense of the powerloom. If those who were employed in the hand industries at the present moment are likely to be displaced as a result of this competition, I think that they ought to go and take up other channels of employment rather than go against the current of the world and ask us by artificial protection to help them to continue. (Capt. Sassoon) I would go further. If you put an excise duty you are encouraging the handloom industry to develop on wrong lines. I would point out that in the United Kingdom and on the continent handlooms are to-day competing satisfactorily with the powerlooms, but their developments have been on different lines.

20327. *Q.* If the mill industry wants some protection, would not the handloom industry be justified in asking for protection against the mills?

A. I fail to see why. The powerloom industry would require protection against the power industry of foreign countries in order to make this country industrially great. If however on the same principle you protect the handloom industry against us, you make the powerloom industry helpless against foreign competition. Of course it might help to crush us and it would not enable the handloom industry to withstand foreign competition. And industrially India will remain a backward country. Our main point has always been and I take it that the object of the Commission is also the same, to adopt such methods as will make this country industrially great.

20328. *Sir Manakjee Dadabhoy.*—*Q.* Your position then is this, that protection is to be given against foreign competition and not against internal competition.

A. If it come in the way of our industrial growth I say that it shall not be given.

20329. *Mr Rhodes.*—*Q.* I gather from your written statement and the remarks you have made in reply to the various questions that you are what I may call an homeopathic protectionist.

A. Yes, small doses.

20330. *Q.* Small and discriminating doses.

A. Yes.

20331. *Q.* You don't advocate any general policy of protection of a very high degree for the whole industry.

A. Perhaps I might say that so many people would like the medicine to be taken under medical supervision. It may be a large dose but we don't propose to prescribe the amounts. (Mr. Petit) Whatever that promotes the attainment of the object we have in view should be done. If protection to a very large extent is necessary for promoting particular industries or for maintaining them, then I venture to think that our Association is not against that. If on the contrary a small protection is for the moment sufficient, then we say "don't give unnecessarily high protection". That is how I would summarise our recommendation.

20332. *Q.* You realise certain dangers in over protection.

A. Yes, we do.

20333. *Q.* For instance would you regard as a danger the consumer suffering without any compensating advantage?

A. Yes.

20334. *Q.* Then I suppose you would regard it as a danger to the industry itself through what we saw during the war on the Eastern side of India and to a certain extent on the Western side too, the flotation of unpractical companies and consequent slump and loss to many people.

A. Yes.

20335. *Q.* You would rather have your mill industry developed as steadily as possible without set backs than rapidly.

A. As far as the mill industry is concerned we are working on that basis, but we were rather discussing the general aspect of the case.

20336. *Q.* I want to take that very practical question, *i.e.*, we might want revenue and it may be necessary to tax the masses and if we have to tax them through clothing have you any objection to a consumption tax which has to be put on the whole consumption of cloth both imported as well as locally made, in addition to the present duties?

A. It will come to an excise duty.

20337. *Q.* Your present difference is $7\frac{1}{2}$ per cent.

A. Yes.

20338. *Q.* Do you object to a consumption tax say 5 per cent. on both which would make the duties instead of $3\frac{1}{2}$ and 11, $8\frac{1}{2}$ per cent. and 16 per cent.

A. We would certainly object to it.

20339. *Q.* It would not be a countervailing excise duty. In your answer to question No. 6 you make your position clear and you say that you would object to a countervailing excise duty. I quite understand that but the consumption tax is not a countervailing duty. Japan has this duty.

A. You indirectly tax the production of your own country.

20340. *Q.* I want to tax the consumer.

A. Which particular consumer you are trying to hit? Are you going to put this duty on the mill made cloth only?

20341. *Q.* I am looking at the question from the practical point of view as a member of the Legislative Assembly. We have got to vote these taxes.

A. Are you going to put on all cloths?

20342. *Q.* You mean the handlooms? Can you suggest how we can put a tax on the hand made cloths?

A. You will be restricting yourself to the mill cloths and leaving those of the handlooms.

20343. *Q.* I don't want to leave them at all. I am asking "can we rope them in"?

A. Our Committee has not considered that point. If you were to put on a consumption tax, you must remember that there is a considerable amount of cloth made by the handlooms.

20344. *Q.* It is estimated that a third of the whole requirements of the country is made by the mills, a third by the handlooms and a third comes from abroad. For the sake of revenue if you put 10 per cent. on the imported cloth, you will hit the consumer by 10 per cent. of the mill made cloth coming from abroad, but if you charge 5 per cent. you will be getting the same amount by charging on both the locally mill made and foreign mill made goods.

A. Then only two-thirds will be taxed.

20345. *Q.* Now the question is 'are we to forego this source of revenue because we cannot get the handloom products taxed'?

A. I would rather challenge that if we put 10 per cent. consumption tax on the foreign mill made goods, the price of the locally made goods will be raised to 10 per cent.

20346. *Q.* Was not that the experience during the war?

A. Well, you must always remember that you were getting money from the mills extra profits. You were not getting any money in the shape of income tax from foreign firms.

20347. *Q.* I say that 5 per cent. consumption tax on the mill products would not affect the mill profits.

A. One might say why hit the mills.

20348 *Q.* I don't want to hit the mills.

A. Why hit the millowner?

20349. *Q.* Sir Malcolm Hailey would appreciate if you could suggest any form of taxation on anything other than cotton.

A. I am not quite sure whether we do not seem to be discussing the advisability of putting a consumption tax which is going to hit the imports and mills exactly the same.

20350. *Q.* This will be collected from the man who buys the *dhoti* at the rate of one or two annas a *dhoti*.

A. If somebody has got to be sheared, I would suggest shearing you. I feel that there is a lapse. This has nothing to do with the Fiscal Commission.

20351. *Q.* As a matter of fact, Japan has done this.

A. You might want to raise the income tax which would hit me personally. But I cannot see what connection it has got with the fiscal policy of the country. It is purely a matter of raising revenue.

20352. *Q.* What we are engaged on now is the best way of raising revenue and at the same time if possible helping industries.

A. (President.) The point is not clear. We are not concerned with raising revenue directly but with the best fiscal policy. The revenue comes in as a part of the fiscal policy or as a result of the fiscal policy.

20353. *Mr. Rhodes.*—*Q.* I suggest this consumption tax in the present hard times as a possible fiscal policy. I would abolish the countervaling excise duty entirely and then if you like lower the import duty to 7½ per cent. This would give the Bombay mills the same protection against Lancashire and Japan which they have at present. If you want more revenue on two-thirds, because you and I seem to agree that it is difficult to get at the third, put a consumption tax on both, leaving the protection to be the same.

A. I don't think that I can suggest that it would be a good thing to do that, to tax in other words your cloth generally in India more practically without considering other possible sources of taxation which I have not.

20354. *Q.* I am suggesting that all these will have to be reconsidered. There is a big deficit.

A. I don't feel that I am prepared or qualified to give an opinion on that point.

20355. *Q.* As regards hosiery I would like to find out whether it is your opinion that the backward state of the hosiery trade in India is due partly perhaps to the raw materials finding so much development along other channels, I mean more common channels of cloth.

A. No. I am prepared to start a hosiery plant to-morrow if I think that it would be profitable; in fact I have a plan for it.

20356. *Q.* Is it made of Indian cotton?

A. Yes.

20357. *Q.* Why is Japan in a better position to compete?

A. She has built up her trade and she dumps on us. The Japanese manufacturers get indirect bounties by freight concessions and so on.

20358. *Q.* Let us take the freight concession—because we have had a suggestion put to us that India should require a mercantile marine. Your Association is a big consumer of coal.

A. Yes, but our Association is becoming a smaller consumer of coal every year.

20359. *Q.* Have you any idea as to how much coal you use?

A. I cannot tell you.

20360. *Q.* I gather that one of the reasons why Japan is competing with Bombay is low freights to Japan for the raw cotton and low freights back to Calcutta as against fairly high rates in the coasting trade.

A. Which coasting trade?

20361. *Q.* Calcutta to Bombay?

A. We have not considered that point, I am afraid.

20362. *Q.* In answer to Mr. Jamnadas Dwarkadas you mentioned that the coasting rate was high.

A. I was wrong and I should not have said it. We only know that the rate between Bombay and Japan is very low and we look on that as a reason for possible protection against the dumping of Japanese goods.

20363. *Q.* I was going to suggest to you that the protection could be made up by floating your steamer company which would bring coal from Calcutta to Bombay and take back piecegoods.

A. I don't think that the Millowners' Association considered that point.

20364. *Q.* Many countries have developed and there is a great development in Calcutta by one type of industry leading to another. We are not building up a factory for the manufacture of jute machinery.

A. I am rather interested in this. I am able, as a millowner, to start a factory for the manufacture of cotton spinning machinery.

20365. *Q.* There is only one other question. Have not the higher wages paid by you produced a rise in the standard of living?

A. Not very much. From the information I got, the millhands don't want a higher standard of living. In some cases it has produced that result; it has been pushed on to them.

20366. *Q.* We have been told that the standard of living is low in India owing to the lack of industries. You suggest that our ultimate goal may be that more men might get drunk on better liquor.

A. I am one of those who think that we should do our best to do propaganda work to encourage men to take to higher standard of living. Unfortunately the man either spends on liquor or else takes it home and pays some of the home debts. As you know, part of the family comes and works here and the other part works on the land.

20367. *Q.* Have you built up an industrial population?

A. We are trying to.

20368. *Q.* Is there such a transformation taking place?

A. I have been told that there is a certain percentage—what it is I cannot get at—which is industrial and which stops here.

20369 *Mr. Seshagiri Iyer.*—*Q.* You know that there are six millions of people who are directly interested in the handloom industry. That is the figure which has been given to us by an expert. A large number of agriculturists when there is no agricultural work to be done take to the handloom industry in several parts of India.

A. That is the reason why the Millowners' Association are in favour of developing the industry.

20370. *Q.* I thought that Mr. Petit told us that he had objections to the countervailing excise duty because if you put an excise duty, while you would be open to attacks from foreigners, it would not give you any protection at all.

A. I think that Mr. Petit objected to the excise duty on principle.

20371. *Q.* Supposing there is a wide margin between the excise duty and the protective import duty, would you have any objection to giving protection to the handloom industry to the extent of the excise duty?

A. The Committee are against the excise duty, but they have not considered the question of the handlooms. My own personal view is that the handloom industry does not require this excise duty as a protection.

20372. *Q.* How do you say that?

A. I think that the handlooms can be developed on lines where they don't compete at all with the powerlooms.

20373. *Q.* I don't know whether you have read the report sent to us by Mr. Collins of the Bihar and Orissa Province wherein he points out that the handloom industry is competing to the extent of 95 per cent. with the powerloom industry.

A. At present there is a good deal on the sentimental side. My Calcutta House informs me that Bombay mill goods are getting 25 per cent. more than the imported goods because of the sentiment. The hand products are to-day being paid far higher rates than either imported or mill products but if you want to develop an industry you cannot take sentiment as a criterion and there is an enormous field for developing the handloom industry which I personally would like to see pushed. I don't pretend to be an expert myself but I have had my own experts looking into the question and they point out to me that fancy articles, handkerchiefs, etc., have always got a very good market and the handloom industry is more fitted to do these things than the power industry.

20374. *Q.* If the powerloom industry of this country is sufficiently able to compete with foreign manufactures, what objection can you have to impose the excise duty which would have the effect of protecting the handloom industry.

A. This is my objection. At the present time the home industries here produce about half of India's requirements and foreign industries the other half. When therefore either the handlooms or the powerlooms are producing practically the whole, then you can think of protecting the handloom against the mill made. At the present moment you have got to compete with the whole of the foreign mills.

20375. *Q.* The handlooms will be wiped off.

A. Why. The powerlooms can only supply less than half.

20376. *Q.* I will give you one concrete instance as to the way in which the handloom industry is suffering. It has been calculated by an expert that the cost of labour of the handloom industry is 5 per cent. higher than the cost of labour of the powerloom industry.

A. Possibly, but on the other hand if you wish to take a very high class *dhoti* made of fine yarn, it is made by the handloom industry.

20377. *Q.* You must take the manufacture of coarse cloth. It has been calculated and so far as my knowledge goes that the cost of labour is 5 per cent. more and not only that I will give you one concrete instance. It has been found that whereas in the case of mills, some of them at least produce their own yarn, the handloom industry has to buy the yarn and that means it has to incur the extra expenditure of packing, freight, etc.

A. I think that the method of supplying yarn to the handloom industry should be improved greatly on the co-operative principles that are now used on the continent. My point is that the handloom industry is not being developed on sound lines. There is a large market for the handloom products. There is a large market for the home mill goods. Until that market is properly exploited I don't think that you would insist that the handlooms must make a particular kind of cloth which the powerlooms are making. The handlooms must make a different kind of cloth which the powerlooms do not manufacture. I maintain that they could be developed on lines which would not clash with the power looms.

20378. *Q.* I presume that you are not prepared to advocate the imposition of any duty upon the power loom industry even though it may not have any effect on it and even though it may have the effect of encouraging the handloom industry.

A. Personally I do not think it is necessary.

20379. *Q.* It is merely your personal view. As regards the question of Imperial Preference, I think you suggested Mr. Petit that there has been a difference of opinion on the matter. The point that I want to put is whether this position has been considered by your committee, namely, that while our imports are largely from the United Kingdom (about 70 per cent. of our imports are from the United Kingdom) our exports are largely to places outside the United Kingdom. Therefore Imperial Preference would considerably hamper us. It will influence other people to whom we export to retaliate.

A. (Mr. Petit) I am against Imperial Preference. (Captain Sassoon) The point has been considered by the Committee. It is not considered that the foreigner would retaliate.

20380. *Q.* You have considered it?

A. (Captain assoon) We have considered it. We have stated in our evidence that we do not apprehend any likelihood of retaliation by foreign countries against India. We are exporting chiefly raw materials. By putting on a protective duty against say raw jute, the foreign country that retaliates would lose more than we would.

20381. *Q.* Upon this question of foreign capital coming in the suggestion was made that in consequence of the Legislature becoming more and more representative there will be no necessity for making this distinction between Indian and European capital. Is it within the range of practical politics that when once an industry with foreign capital is established the Legislature can have any control over it?

A. (Mr. Petit) That is exactly what I have tried to make.

20382. *Q.* How can the Legislative Assembly control it afterwards?

A. (Mr. Petit) You cannot pick and choose.

20383. *Q.* You know that there is a general opinion which is largely prevalent that it is because of the presence of foreign capital that China has not been able to develop its institutions on its industrial side, and that if there had been more of Chinese capital the development of China would have been more rapid.

A. (Mr. Petit) that is one view. (Captain Sassoon) My idea is that there is an enormous difficulty in the way of ample foreign capital coming in in China. It is so hedged round with restrictions that one is very much discouraged from investing one's money there. I personally am anxious to help the industries of China in partnership with Chinese capital, but the Chinese official classes' point of view is "No. You spend your money and take all the risks and give us 80 per. cent. of the profits." We have not up to now found ourselves in a position to go there.

20384. *Q.* I think your position will be that so far as China is concerned, you would like the Chinese and the foreigner to work together and share the capital and the profits.

A. Yes. I think where English industries wish to come to India and are willing to be associated with Indian industries and work with Indian money they can get the advantage of an Indian member on the Legislative Council who knows the local conditions.

20385. *Q.* You do not have objections to their coming. But would you have a law making it compulsory, upon the establishment of a new industry by foreigners, that a certain amount of the capital should be subscribed by Indians?

A. I do not think it is necessary. I think the other side will ask for it.

20386. *Q.* I think it would be better to be on the safer side. So far as the United Kingdom is concerned, as regards merchant shipping, no alien can have a share in their merchant shipping concerns.

A. The committee have not discussed merchant shipping.

20387. *Q.* Mr. Jamnadas Dwarkadas told you that once you impose a protective duty upon a particular article, it would be very difficult to remove it afterwards. But I believe that having regard to the answer to question 29 where you suggest a permanent body to examine the imposition of customs duties, that body year after year would recommend in what cases the duties should be taken away.

A. It would be quite possible.

20388. *Q.* There will be no difficulty on that score?

A. No.

20389. *Mr. Coyajee.*—*Q.* You have given us so much valuable information that I won't take up much more of valuable time. I want to ask only a few questions about your proposals for giving special protection to hosiery, calico printing and cotton blankets. There was a cotton expert who appeared before us and I took the opportunity of putting your proposition to him and elicited some information, and I want your views on those opinions. As regards calico printing he argued that the introduction of calico printing will be very difficult because of the finish and fineness that was required, and that our cloth is not good enough for calico printing. Is that a great difficulty?

A. You have what you call printing cloth. It would probably mean developing a new class of finer cloth.

20390. *Q.* That will be a preliminary step towards the development of the calico printing industry?

A. Not necessarily. It is purely a question of whether you want the finer cloth or not to start with, or you would be content with the cheaper cloth to begin with.

20391. *Q.* The cheaper class of calico printing might be started first.

A. There is an industry in hand printing also along with machine printing which is being done by the Standard Mills. The industry exists to-day.

20391. *Q.* Even there it is said that our labour is not yet trained for such skilled work as calico printing. Is that so?

A. (Mr. Petit) There is no doubt that it will develop in course of time. It is developing now.

20392. *Q.* The observation was also made that calico printing is a highly specialised industry by itself and that even in England it is carried on by a famous combine.

A. I may add that a representative of that very same combine has been in India and told me that one of his firms was trying to get into touch with various Indian industries in order to build up this trade.

20393. *Q.* In association with Indian industries?

A. Yes.

20394. *Q.* Then as to hosiery, I am afraid that much of the hosiery that we manufacture now is fairly coarse?

A. Yes, very coarse. A one time we were exposed to very severe competition from Japan. Japanese goods were laid down here at prices very much lower than we could produce here. We were quite sure that hosiery was being dumped here from apan because of subsidies and special concessions given by the Japanese Government.

20395. *Q.* Have you got any exact information on this subject? It would be very valuable for us, because we have got to examine certain Japanese gentlemen on the topic. If you would be good enough to lay our hands on any information it would be very useful.

A. For the last three or four years the hosiery department has been getting on very well. I don't think there is competition now.

20396. *Q.* The better class hosiery would require I suppose foreign yarn to work up.

A. Unless you produce that yarn it is no good.

20397. *Q.* As to cotton blankets there is only one question. Your trouble is the depressed condition of foreign changes which benefits Italy and Austria.

A. I am sorry I gave the wrong places. The places are Germany, Holland and Belgium.

20398. *Q.* They have got the advantage of the exchange situation.

A. Not only that. They have got special technical plant, very high technical skill, and also special facilities for the production of these cotton blankets. These things make it very difficult to compete with them.

20399. *Sir Montagu Webb.*—*Q.* Germany has long been able to make woollens out of Sind cotton.

A. Yes.

20400. *Mr. Coyajee*—*Q.* These special machines and other things, were they developed since the war or before the war ?

A. They were developed before the war. You can buy blankets to-day in Calcutta from Germany at the same price as the yarn composing these blankets is sold on the local market.

20401. *Q.* I was informed that in the past our mills had been making cotton blankets and making good profits too.

A. We have developed that trade very considerably during the war.

20402. *Sir Montagu Webb.*—*Q.* Your reply to question 43 I understand is that the Bombay Millowners' Association represents 84 per cent. of the cotton mills of Bombay and 37 per cent. of the cotton industry of the whole of India.

A. Yes.

20403. *Q.* Am I right in saying that the cotton industry of India is the greatest group of cotton manufacturers in the British Empire outside the United Kingdom ?

A. I do not know. I cannot definitely say. (Mr. Petit) It is so.

20404. *Q.* Can you give us an industry anywhere else approaching it and which is as big as the Indian industry ?

A. What about America ?

20405. *Q.* I mean in the British Empire.

A. Yes. The cotton industry of India is the greatest group of cotton manufacturers outside the United Kingdom.

20406. *Q.* Is it not a fact that this great group has been built up under a system of free trade ?

A. We might say, in spite of a system of free trade.

20407. *Q.* You see the difference when you say in spite of a system of free trade ?

A. Yes.

20408. *Q.* I asked the question because in your first reply your Association favours a policy of protection. I have wondered why having built up so successfully the greatest industry in the British Empire you nevertheless felt that a policy of protection was needed.

A. We say for India generally.

20409. *Q.* But not for the cotton industry ?

A. I think we have pointed out that we do not need any increase in the present protection to the cotton industry.

20410. *Q.* The present 11 per cent.?

A. With the exception of those three branches of the trade we have specified in answer 50 we do not need any protection.

20411. *Q.* I think you replied to Mr. Jamnadas that your Association does not advocate any special protection for the cotton industry.

A. We had a very large market in China and we have lost that market. That is why we have to protect ourselves in future.

20412. *Q.* A very expert and astute witness told us that all industries are like individuals and went through three stages : the baby stage, the child stage and the adult stage. His policy was to nurse the baby, protect the child and free the adult. I take it that your view is that the cotton industry has arrived at the adult stage.

A. As far as the particular classes of goods that we are now manufacturing are concerned we are adults. But if it is found necessary to compete in the higher grades, we will then be a baby, and in that respect would require to be nursed.

20413. *Q.* Do you think that any amount of nursing will enable you to spin the higher grades ?

A. Our labour is improving gradually. The are able to spin the higher grades, and better than they were able to do ten years ago.

20414. *Q.* Your view then is that a policy of moderate protection is necessary in the interests of India as a whole. That is the view of your Association ?

A. The protection is discriminating protection, rather than moderate protection.

20415. *Q.* In your reply to question 25 you say that the adoption by India of a policy of protection would have no effect whatever upon the foreign trade of the country ?

A. No. We say material effect.

20416. *Q.* Would you kindly explain how this country is going to benefit by a protection if it has no material effect whatever on the foreign trade ?

A. We have pointed this out in our answer to question 25. It might alter the class of our exports and imports. We have always been importing certain goods. We cannot expect to be self-sufficing for a very large number of years, we will have to import. But we may export those things which we are importing now and import other classes of things. It might alter the character of our imports and the character of our exports.

20417. *Q.* That is what you mean by saying that it will not have any material effect upon foreign trade. You mean that it might alter the details of the trade, but would not materially affect the volume.

A. Yes. There is also another point. We might import a large amount of treasure. It is conceivable that if we did not have to import so much as we do to-day that might mean that we would have to import treasure in the place of some of the commodities which we were importing before.

20418. *Q.* In your answer to question 53 you refer to the depressed condition of the foreign exchanges. By that you do not mean that at present the depressed condition of the rupee is handicapping the cotton industry ?

A. We say the foreign exchanges. We put the word foreign exchanges on purpose because we do not consider that the rupee is the foreign exchange of India.

20419. *Q.* You mean by foreign exchanges certain of the Continental exchanges ?

A. Yes.

20420. *Q.* Can your Association suggest any fiscal remedy for counteracting the effect of foreign exchanges, the benefit which the foreign Continental manufacturers temporarily enjoy ?

A. I can suggest a temporary duty to be put on by the technical committee or by executive action until such matters have adjusted themselves. It is analogous to dumping. You put on a duty temporarily and you take it off when the need of it is gone.

20421. *Q.* Your idea then is that a permanent body would watch the condition of foreign exchanges and put on a duty of 500 per cent. against Germany, 250 per cent. against Italy, and 11 per cent. say against England. Is that the kind of regulation you have in mind ?

A. I take it that this would be one of the functions of the permanent committee which we have already suggested.

20422. *Q.* Is that the type of retaliation which you would advocate to deal with this difficulty ?

A. It would be small. It would be put on against say cotton blankets while the exchange is at that particular figure.

20423. *Q.* So long as the German mark is 5 for a penny you would want something like a 500 per cent. duty.

A. Germany pays its labour at a certain market rate which will be something which would bring it up to a fair competitive value.

20424. *Q.* Then your Association would recommend that adverse exchanges should be retaliated or corrected by the aid of a special tariff calculated to nullify the advantage which the foreign manufacturer enjoys.

A. Taking of course into consideration what the foreign manufacturer pays in local currency.

20425. *Q.* I suppose that will require daily adjustment.

A. I take it that the committee would not be asked to decide daily. It will be periodical adjustment, annually perhaps.

20426. *Sir Manakjee Dadabhoy.*—*Q.* Would it be feasible ?

A. I think it would be. (Mr. Petit) The Indian products are likely to be very seriously handicapped These adjustments should be done, even though it may cause a little inconvenience at the moment.

20427. *Sir Montagu Webb.*— *Q.* I have only one more question to ask, and that is in connection with Imperial Preference. It has been suggested more than once that if India benefited by a system of Imperial Preference there would be no gain to England, and that *per contra* if the United Kingdom benefited then

India must suffer. Is that the view seriously held by the Association ?

A. That is the view of certain members of the Association. Mr. Petit holds that view. Others think that it may be possible for it to benefit both, though they cannot suggest in what way.

20428. *Q.* If I have commercial dealings with you and I make a profit therefore you must lose. I cannot make a profit without your losing. Surely that is contrary to all economic principles.

A. Had I not given you at the rate that I gave every rupee that you make I would have made myself.

20429. *Q.* No, surely. That is a view that I have never heard of before. I have hitherto thought that normally from every transaction both sides make a profit always. That is the normal condition of trade.

A. (Mr. Petit) But in this case unless the conditions are the same, one side getting the preference must benefit.

20430. *Q.* The other side does not necessarily lose. That is what I want to get it. It is suggested that under a system of Imperial Preference one side must lose and the other side gain. I say this argument is faulty.

A. (Mr. Petit) Suppose the United Kingdom gets a small preference of say 3 per cent. on imports. The imports from other foreign countries have to pay 3 per cent. more, and the price in the market would be adjusted in course of time on the basis of the import duty payable by those other foreign countries.

20431. *Q.* Let us take blankets for example. Suppose British blankets pay 11 per cent. and German blankets pay 14 per cent. How will the price be regulated ?

A. The price in the market would be adjusted on the basis of the 14 per cent.

20432. *Q.* You say and believe it ?

A. (Mr. Petit) I absolutely believe it. The British manufacturers are bound to get the benefit of the 3 per cent.

20433. *Q.* Why do you think that the price must adjust itself to the higher price and not to the lower price when there is a 3 per cent. advantage in favour of England ?

A. I would like to point out that the Committee do not necessarily agree with Mr. Petit's view. In our answer 21 we do not say that the consumer would necessarily have to pay higher prices.

20434. *Q.* That appears to me to be the correct view. While England will get the benefit of receiving the orders, it would not necessarily involve a loss to this country. That is to say, when one side gets a benefit, it does not mean that the other side must of necessity lose.

A. Assuming for a moment that the price will adjust itself on the basis of 11 per cent. the foreign manufacturer finds that he has no option and pays the 14 per cent. That is what it comes to.

20435. *Q.* I think that the advantage is that both British and German blankets will be supplied at a lower price than otherwise.

A. Why do you assume that the German manufacturer will reduce his price ?

20436. *Q.* He may put it down, I say.

A. He cannot. If England got any benefit out of it then India would lose.

20437. *Q.* Otherwise India cannot benefit it ?

A. When two peoples enter into a commercial transaction if one side gains then the other side must lose.

20438. *Mr. Narottam Morarji.*—*Q.* With regard to these blankets, they make these blankets from cotton waste. Do they use the local waste ?

A. I should think probably both. I do not know. There is no reason why they should not use the Indian waste as well as other wastes. (Mr. Petit) They take all the waste away to Belgium where it is used.

20439. *Q.* In order to preserve the cotton waste for our own uses would you advise a duty on cotton waste ?

A. No. I would sooner have a duty again t their blankets rather than have an export duty on our waste.

20440. *Q.* Could you give us any figures about the cotton blankets trade ?

A. We have not gone into any details. We thought it was a matter for the technical committee to be appointed.

20441. *Q.* You said that owing to transport facilities Japan was able to compete with the Indian mills. Can you tell us definitely what those facilities are that they get ?

A. I am told that there are special freight facilities.

20442. *Sir Montagu Webb.*—*Q.* Do you mean freight facilities granted by Government.

A. It seems to me that they have got some sort of a bounty.

20443. *Q.* But this is denied ?

A. That may be, but I believe that the State has got some kind of arrangement with the steamship lines. They give certain freight rates for Japanese goods. I know that if you ship cotton to Japan the Japanese insist on the goods being carried in Japanese bottoms to get certain advantages out of it.

20444. *Mr. Narottam Morarji.*—*Q.* In answer to Mr. Jamnadas Dwarkadas you said that the standard of living of our Indian millhands is rather very low. Chawls are built for these people. What do you find the condition of these chawls to be ?

A. I am not prepared to say that the millhand prefers living in these chawls rather than in the places where they used to live before. They are certainly overcrowded. We find it very difficult to prevent them from overcrowding.

20445. *Q.* What do you think of the efficiency of Indian labour as compared to Japanese labour ?

A. I think we are less efficient as compared with Japan.

20446. *Q.* Would you suggest giving bounties or subsidies to concerns which start manufacturing hosiery ?

A. That has not been considered by the committee.

20447. *Q.* In answer to question No. 18 you say : " At any rate in the case of British firms, the Committee consider such action would be to the benefit of the country." Why should the British firms be more beneficial than foreign ones ?

A. I think that the committee felt that British firms would have more technical knowledge. The committee would have British firms in preference to foreign firms, but they do not necessarily bar out the foreigners. (Mr. Petit) This again is a majority view. I beg to point that out.

20448. *Q.* Have you considered the present method or fixing railway rates in India ?

A. I think, on general lines it was raised in the committee. It was urged that an alteration in the railway rates might help internal factories a great deal more than is possible at present.

20449. *Sir Edgar Holberton.*—*Q.* One or two questions about labour. Do you find that there is plenty of labour for your mills ?

A. That depends upon the monsoon. After a good monsoon there will be a shortage : they will go home temporarily and come back.

20450. *Q.* It has often been put forward before us that one of the reasons for the industrialisation of India is to find more work for the agriculturists. But wherever we go we do not find anybody suffering from surplus labour.

A. There is lack of industrial labour.

20451. *Q.* Do you think if in course of time industries develop, the agriculturists would like to settle down as industrial labourers ?

A. I would not like to speak off-hand in this matter, but the industrial population to-day is larger than it was 10 years ago. There is no doubt that a certain proportion of our labour is becoming industrial, instead of being temporarily agricultural and temporarily industrial.

20452. *Q.* It is settling down ?

A. Part of it is : but how much percentage I do not know.

20453. *Q.* Do you know if there is an increase of that tendency ?

A. I am told so.

20454. *Q.* Another point about labour. Wages have gone up by 100 per cent. as you said.

A. I was speaking of mill labour.

20455. *Q.* Have you found any tendency in the mill hands to save money when it gets more wages ?

A. It is difficult to say because they may be sending it up country.

20456. *Q.* You have really no check over that ?

A. We have not. We are starting co-operative societies in our mills. They have been very popular, but we have little check. We do know that in some cases after bonuses have been paid or wages have been paid the tendency is to strike or to absent. The tendency is to spend off before they come back.

20457. *Q.* That seems to be the curse of the whole world. That is one of the results of better wages.

Now, Mr. Petit, if I did not hear you wrong, you made a statement that it is impossible for the East to compete with the West without protection ?

A. (Mr. Petit) Yes.

20458. *Q.* Could you amplify that point in any way? In view of the present great industries of India which I know have been built up in this country that seems to be a wide statement. Could you explain why it is impossible?

A. (Mr. Petit) Because the West settled in industries much earlier than India: it has got at its back technical experience, expert knowledge, scientific equipment. The West was first in the field and there is no form of industrial activity in which India cannot be beaten hollow today.

20459. *Q.* Beaten by whom?

A. (Mr. Petit) By the West. Take for instance the textile industry of the country. Before the war there were periods during which the industry was in a critical condition, and in a majority of cases the mills were tottering and there were periods of very great stress and strain.

20460. *Q.* Was it not the case with regard to every industry during certain periods?

A. (Mr. Petit) It was so, but in the case of India it had also to compete against the expert knowledge of Western countries.

20461. *Q.* But you could buy that expert knowledge. It is surely for sale in the market!

A. (Mr. Petit) Certainly, we can: That is how we built up our industries.

20462. *Q.* That is one of the many things that you have to buy in the market.

A. (Mr. Petit) But when we buy a thing and equip ourselves for manufacture, we want some protection. I think the local mill industry has been built up not because of any favourable conditions in its favour or because of any help it may have received, but in spite of many impediments placed in its way by Government.

20463. *Q.* That is rather a different point. What I understood you to say was that the East could not compete with the West. It is not a thing of Government interference. What about Japan?

A. (Mr. Petit) The Japanese competed because Japan got hold of the Western expert and thus.

20464. *Q.* They bought it.

A. (Mr. Petit) They bought it and erected a huge tariff wall against Western industries.

20465. *Q.* Do you think that their success is due not to their enterprise but to the tariff wall?

A. (Mr. Petit) Absolutely. France did the same: Germany did the same. Under the conditions prevalent India cannot compete. It is such an unfair competition, and we must be protected by a tariff wall. With a tariff wall and with expert skill we can do compete.

20466. *Q.* There is only one other point, Mr. Sassoon, and that is the interesting discussion which you had with the President with reference to the profits made by the Indian mills. Sir Ibrahim divided the whole capital into three parts: ordinary, preference and debenture, and working capital. Now, as a matter of business interest, would not anything that we pay as interest on working capital rather go as an expense than as profit? Surely you debit it as expense to your business rather than include that capital with the other capital.

A. We have been asked to get figures on those lines.

20467. *Q.* All I was going to ask is, would you get in that way a truer statement of the real result of your mill than could be secured by a balance sheet?

A. That would be a truer way because it is difficult to know whether the profits are due to a large capital with a small working capital or a small capital with a large working capital. If I proceeded with a capital of £100 and borrowed a million—it might be some fool who gave me—and then put all the profits of that mill to the £100, then it would show a big percentage. But if I had a million as my capital and borrowed £100.....

20468. *Q.* I was asking whether the one would be truer than the other?

A. I take it that the President is not asking me to put it either way. I have been asked to try and get a comparative statement of the capitals of the mills and the profits on the lines mentioned by him.

20469. *Q.* Everybody has a different way of making up balance sheets?

A. Exactly.

20470. *The President.*—*Q.* A great deal has been said about the competition of the continental countries in consequence of the present exchange position. I answer to Mr. Narottam Morarji you said that all the cotton and the waste cotton that these continental countries use as their raw material is not produced in their own country.

A. Part of their raw material is imported, and part of it is a by-product of cotton.

20471. *Q.* They do not produce cotton in their country and even the waste cotton is a by-product of the imported cotton.

A. It is mostly Indian cotton that is used for the low counts. They mix Indian cotton with the waste of the other cotton.

20472. *Q.* They are not producing cotton: they have to import all these, and when they import they do not gain by the exchange position. People generally speak that they gain by the low exchange when they send their manufactured goods, but I suggest that they have to pay highly for the raw materials when they import. So, as regards the main value of the raw material and the sale of manufactured goods the exchange does not affect them; it may be low or it may be high. The only difference is in regard to the cost of labour. There is no difference in transport, because transport is at competitive rates. In the case of various countries, especially England, it works on the sterling basis. So the only benefit that they can get in exchange is in regard to labour, but even in regard to labour the cost of living must have risen considerably in consequence of the low exchange and therefore the cost of labour must also have risen.

A. That is why I pointed out to Sir Montagu Webb that you have to take into consideration the internal rise,—that is the rise in terms of gold marks or gold dollars. The rise in wages in terms of gold marks or gold dollars is very much lower than here or any other country.

20473. *Q.* Then the real benefit which these people get is in the reduced cost of labour.

A. Exactly, that is admitted by us.

20474. *Q.* Putting it in general terms, as is done usually, it leads to the impression that the low exchange is all to their advantage.

A. It is only a portion.

The witness withdrew.

Supplement to Witness No. 128.

Copy of letter No. 367-23, dated the 24th April 1922, from the Secretary, The Millowners' Association, Bombay, to the Secretary, Indian Fiscal Commission, Simla.

20474-A. At the request of Captain E. V. Sassoon, one of the gentlemen nominated by my Committee to give evidence upon their behalf before the Commission, I beg to forward herewith, for the information of the members of the Commission, the attached series of statements showing, in tabular form, the percentage of profit made by various mills in Bombay on the capital employed, differentiating between mills purchased or built a considerable time ago and those built or purchased during recent years. For purposes of convenience I have embodied in the returns in respect of each mill the date on which it started working or was purchased by its present owners. The profits shown are in respect of the year 1921 in each instance.

MEYER SASSOON MILL.

Date of purchase—11th October 1910.

AVERAGE MONTHLY CAPITAL EMPLOYED IN 1921.

	Rs.	As.	P.
Ordinary Share Capital . . .	10,00,000	0	0
Debentures	12,00,000	0	0
Reserve Funds	6,90,000	0	0
Other Funds	81,560	11	7
	29,71,560	11	7

Working Capital borrowed from Agents	2,78,092	11	9
Sundry Creditors	7,27,661	6	5
Profit and Loss account	1,09,480	5	4
Total Capital employed	40,86,795	3	1
Profit and Loss account for the year ending 31st December 1921	13,13,764	4	2
Less depreciation	1,50,000	0	0
	11,63,764	4	2

28·50 per cent. on Capital employed.

THE TATA MILLS, LIMITED.

Buildings built in 1915.—Started work in July 1917.

	Rs.
Capital	64,87,100
Funds	14,48,167
Liabilities ½ (1920 *plus* 1921)	2,61,28,528
Carried forward	1,94,809
	3,42,58,604
Profit for the year 1921	36,05,703
Percentage of nett profit before allowing for depreciation on Capital employed	10·52 per cent.
Profit for the year 1921	36,05,703
Less depreciation	6,97,774
	29,07,929
Percentage of nett profit after allowing for depreciation on Capital employed	8·49 per cent.

THE SWADESHI MILLS COMPANY, LTD.

PURCHASED IN 1887.

Profit for the year 1921.

	Rs.
Capital	20,00,000
Funds	92,67,499
Balance of Income Tax	58,703
Balance of Bonus	2,233
Unclaimed Dividends	38,025
Liabilities (average of 1920 and 1921)	21,88,060
Balance of profit	4,12,270
TOTAL WORKING CAPITAL	1,39,66,790
Profit for the year	36,41,928
Percentage of profit on working capital	26·07 per cent.
Profit for the year	36,41,928
Less depreciation	2,50,000
	33,91,928
Percentage of the above on working capital	24·28 per cent.

THE CURRIMBHOY MILLS COMPANY, LTD.

STARTED WORKING IN 1890.

	Rs.
Capital	22,00,000
Debenture Loan	20,00,000
Funds	15,43,822
Unclaimed Dividends	22,617
Liabilities	18,63,530
Balance of profit	14,908
TOTAL WORKING CAPITAL	76,44,877
Profit for the year 1920-21	45,64,621
Percentage of profit on working capital	59·70 per cent.
Profit for the year 1920-21	45,64,621
Less depreciation	2,80,000
	42,84,621
Percentage of profit on working capital after allowing depreciation	56·04 per cent.

THE PEARL MILLS, LIMITED.

STARTED WORKING IN 1914.

	Rs.
Capital	19,97,750
Debenture Loan	15,00,000
Funds	11,48,277
Unclaimed Dividends	33,380
Liabilities	10,06,970
Balance of profit	14,874
TOTAL WORKING CAPITAL	57,01,251
Profit for the year 1920-21	24,21,203
Percentage of profit on working capital	42·46 per cent.
Profit for the year 1920-21	24,21,203
Less depreciation	1,70,000
	22,51,203
Percentage of profit on working capital after allowing depreciation	39·48 per cent.

THE NEW CITY OF BOMBAY MANUFACTURING COMPANY, LIMITED.

STARTED WORKING IN 1905.

	Rs.
Capital	6,00,000
Funds	14,63,046
Loans	12,14,400
Unclaimed Dividends	16,955
Liabilities	2,73,554
Balance of profit	5,808
TOTAL WORKING CAPITAL	35,73,763
Profit for the year 1921	11,31,652
Percentage of profit on working capital	31·66 per cent.
Profit for the year 1921	11,31,652
Less depreciation	73,619
	10,58,033
Percentage of profit on working capital after allowing depreciation	29·60 per cent.

THE NEW GREAT EASTERN SPINNING AND WEAVING CO., LTD.

STARTED WORKING IN 1874.

	Rs.
Capital	23,00,000
Loans	10,00,243
Funds and Reserve	10,57,271
Unclaimed Dividends	32,474
Liabilities	5,01,421
Balance of profit	8,537
TOTAL WORKING CAPITAL	48,99,946
Profit for the year 1921	18,02,447
Percentage of profit on working capital	36·78 per cent.
Profit for the year 1921	18,02,447
Less depreciation	1,50,469
	16,51,978
Percentage of profit on working capital after allowing depreciation	33·71 per cent.

THE COLABA LAND AND MILL CO., LTD.

STARTED WORKING IN 1880.

Profit for the year 1921.

	Rs.
Capital	28,00,000
Fixed Deposits	16,05,800
Funds	21,66,914
Unclaimed Dividends	41,833
Liabilities	4,96,065
Balance of profit	4,784
TOTAL WORKING CAPITAL	71,15,396
Profit for the year 1921	19,16,787
Percentage of profit on working capital	26·93 per cent.
Profit for the year 1921	19,16,787
Less depreciation	1,45,106
	17,71,106
Percentage of profit on working capital after allowing depreciation	24·90 per cent.

MANOCKJEE PETIT MANUFACTURING COMPANY LIMITED.

MANOCKJEE PETIT MILL, TARDEO, STARTED IN 1882.
DINSHAW PETIT MILL, PAREL, STARTED IN 1879.
BOMANJEE PETIT MAHALUXMI, STARTED IN 1893.

Profit for the year 1921.

	Rs.
Capital	36,09,500
Funds	1,93,14,324
Unclaimed Dividends and wages	2,96,598
Loans and deposits	44,66,572
TOTAL WORKING CAPITAL	2,76,86,994
Profit for the year 1921	51,60,145
Percentage of profit on working capital	19 per cent.
Percentage of profit on working capital after allowing for depreciation	9 per cent.

Witness No. 129.

Mr. H. P. W. Macnaughten of Messrs. Wallace & Co., Bombay, dated the 13th February 1922.

Written Statement.

20475. I desire to be clearly understood that the views expressed are my personal views, and in no sense those of the Chamber of Commerce, which is no more unanimous on the subject than any other body.

Memorandum.

20476. I see no reason for abandoning the principle of Free Trade in India and I consider that while it is necessary to obtain revenue by customs duties a corresponding excise duty should also be levied on articles manufactured in India.

20477. It is unnecessary to remind the Committee that the effect of duties is necessarily to raise prices at the expense of the consumer: and it appears to me to be equitable that the whole of such increase of price should be absorbed by Government in the interests of the country generally, rather than that part of it should be retained by the owners of protected industries.

20478. I am aware of course that many representatives of all communities maintained that the general welfare of the country is better served by tariffs which will develop the trade of the country; that is to say, it is reasonable that an industry should be subsidised at the expense of the consumer, because the increased circulation of money through that industry leads to wider prosperity and less unemployment: or to take a recent example they claim that more good has been done by the present prosperity of the mill industry of Bombay, than would have been achieved had the Government of India been credited, and the Millowners debited with the difference between customs duty on imported and excise on manufactured goods. This is obviously a tenable theory, but it depends on the arrangement of a tariff that will give equal encouragement to all industries on an equitable basis, and this has in fact been found to be impossible. In the present high development of industries, no industry can be in any way independent of others. It will be remembered that the tinplaters of Wales claimed protection for tin plates combined with the right to buy steel in the cheapest market while Sheffield called for protection for steel, and this example is capable of very wide application.

20479. For if *A* demands protection for the development of the manufacture of matches in India, *B* is equally entitled to claim protection in order to enable him to make the machinery for *A* and *C* for protection to manufacture *B*'s steel and so on down to *Z* and this applies to old as well as to new industries. For if protection is once established I can see no reason why the collieries of Bengal should not claim protection as well as the Cotton Mills of Bombay—or indeed why the cost of fuel of every kind should not be raised to a point which will enable the proprietors of hydro-electric plants to make their 50 to 80 per cent. for themselves at the expense of the Mills.

20480. For industry that depends for its success on a protective tariff is at the best exposed to the dangers of an arbitrary re-assessment of tariffs: it may be for some reason necessary to reduce its own measure of protection, but it is almost certain that sooner or later the relative cost of one or more of its necessary stores or raw materials will be affected by a tariff designed to further some of its subordinate industries. Its position is therefore so uncertain that protection has in fact always proved an item of very little importance in the development of industries.

20481. In any event, protection is a small item in comparison with the other factors in a successful industry, among which are climate, labour, fuel, water, raw material and exchange. The Cotton Mills of Bombay owe their existence not to a protective tariff but to the suitability of the labour to the work: and at the other extreme, no tariff on earth could bring success to a Whisky distillery if such were unfortunately inflicted on this island. It is not necessary to emphasize the various advantages and disadvantages of Indian labour: but I may perhaps be permitted to give one instance within my recent knowledge. The Government of the United States has recently imposed a tariff of 40 per cent. or say 2 per lb. on the best quality of mica splittings manufactured in India. These splittings have to be manufactured by hand: an experienced woman can make up about a pound a day: and it is obvious that no tariff in the world can make their manufacture adapted to the rate of wages in America.

20482. In the present fluctuations of exchange, an effective tariff appears impossible to find. A protective duty of 10 per cent. is neutralized by a rise of 10 per cent. in the exchange: and though that may seem impossible in the present state of affairs in India, I can only ask the protectionist to consider what tariff would be effective in keeping out goods produced in German marks or Russian roubles.

20483. I consider therefore that the future of Indian industries should rest on their own merits. I believe there are many industries highly suitable to the genius of the country which will be established to stand on their own feet like the Cotton Mills of Bombay, the Jute Mills and Collieries of Bengal, and the Steel Works of Chota Nagpur: and I believe that to attempt to foster unwanted new industries by protection will be bad for the community and dangerous to themselves.

20484. In submitting these views I feel that there is something to be said for Reciprocity—for I can see the possibilities of a tariff for purposes of negotiation and, if necessary retaliation. But even here, it seems to me that the theory of reciprocity breaks down, because of the same principle that industries cannot be successful unless they are established in suitable environments.

20485. There is a peculiarly aggravating case in the minds of the millowners of Bombay, and I agree that if any case calls for retaliation it is the virtual closing to Indian yarn and cloth of the ports not only of Japan but of Korea. But I cannot see that this case is distinguished in principle from the theories already discussed. I know little about Japanese Mills but I have always understood that they owe their success not to protection so much as to the peculiar advantages they enjoy, *e.g.*, in working 23 hours per day by means of three shifts. This is no place to discuss the question whether this is a sound practice in the long run but there is no doubt that Japanese overhead charges are in fact very low.

20486. The Japanese Mills have in any case established themselves many years ago, and are working successfully. To subject their shipments to India to a duty calculated as the equivalent of their own import duty, can have but one effect, and that is the reduction of the quantity of cloth available to the Indian consumer to his disadvantage and to the benefit of the millowner.

20487. In conclusion I consider that India, with its enormous preponderance of struggling agriculturals, is of all countries the one where it is most dangerous to experiment with the exploitation of the consumer in the interests of the industrial classes: and that it is essential that the success of Indian industries should depend on their ability to provide the consumer with cheap commodities rather than on their power to force him to pay more than the price at which he can get them from abroad.

Oral evidence of Mr. Macnaughten of Messrs. Wallace & Co. of Bombay.

Mr. H. Macnaughten of Messrs. Wallace & Co., Bombay, was called in and examined.

20488. *The President.*—*Q.* Mr. Macnaughten, you are partner in the Bombay Co. ?

A. No, I am a mere shareholder in the Bombay Co., I am a partner in Messrs. Wallace & Co. and Chairman of the Bombay, Burma Trading Corporation.

20489. *Q.* You are appearing in your individual capacity, because there was no unanimity in your Chamber ?

A. I find that our Association has found it difficult to arrive at a unanimity.

20490. *Q.* You favour free trade ?

A. I am a free trader.

20491. *Q.* And you advocate corresponding excise duties on articles manufactured in India to countervail against the customs duties levied on imports ?

A. I cannot see any other alternative.

20492. *Q.* Can you tell us with your side experience whether any other country which adopts this policy of import duties and countervailing excise duties for the sake of revenue ?

A. I think England and India are the only two countries.

20493. *Q.* Has England countervailing excise duties on any article ?

A. Whisky and beer.

20494. *Q.* Is it a countervailing duty ? You say: "While it is necessary to obtain revenue by customs duties a corresponding excise duty should also be levied on articles manufactured in India." I emphasise the word 'corresponding.' Take the case of cotton piecegoods. A 3½ per cent. countervailing excise duty was levied on Indian cotton manufacture when an import duty of 3½ per cent. was levied. Is not that what you mean by 'corresponding ?'

A. Yes.

20495. *Q.* Can you name any other country which follows that policy ? You have mentioned England.

A. As far as I know England only does it in the case of whisky and beer.

20496. *Q.* But that is pure excise duty. It is not a corresponding excise duty.

A. As a matter of fact England, as far as I know, up till recently, before war conditions—charged no customs duties on anything that was produced in England except whisky and beer, and those customs duties were countervailed by the excise duty on whisky and beer.

20497. *Q.* Whisky and beer manufactured in England ?

A. Manufactured in England and Scotland.

20498. *Q.* Do you think it a desirable thing for India to aspire to be an industrial country in preference to being an agricultural country ?

A. I do not think it will ever be an industrial country rather than an agricultural country. I think India can develop its industries very much, but I think there has always been something like 90 per cent. of the population of India employed on agriculture.

20499. *Q.* Do you think it is desirable in the economic interests of the country ?.

A. I think it is exceedingly desirable for every country that its population should be agricultural.

20500. *Q.* Can you tell me any other country that has followed that policy ?

A. I think most of the countries are agricultural rather than industrial.

20501. *Q.* Please name some of the countries.

A. Well, the Argentine in South America, Canada, the United States, France, Italy, in fact almost every country except Belgium and England are mainly agricultural.

20502. *Q.* Will you please tell me why, if this policy is so advantageous, the United States of America, Canada, France, Italy and other countries have adopted a policy of protection for the development of their industries ?

A. They have not been successful in their policy except in America.

20503. *Q.* Still they persevere in it ?

A. Yes.

20504. *Q.* Why ?

A. Well, I suppose because they can get much better with it than without it.

20505. *Q.* They can get better with protection than without it ?

A. With the exception of Great Britain which is the most important industrial country in the world.

20506. *Q.* It has been told that England established her industries on protective principles. After they had developed their industries they adopted free trade.

A. I am afraid we are taking different meanings and of protection. As far as I know England developed of her industries under a policy of protection which was a policy of protection in favour of the agriculturists and not to the industrial community. In fact the reason why free trade was established in England was in the interests of Manchester as you are no doubt aware, sir. The protection in England up to that date was a very severe handicap to the industrialists.

20507. *Q.* But was there protection, I am really asking you about facts ?

A. There was heavy duty on corn.

20508. *Q.* There was a heavy duty on piecegoods also ?

A. The import duty on piecegoods was not so heavy as the duty on corn. It raised the cost of labour enormously.

20509. *Q.* I am told that England levied an import duty of 38 per cent. on imported piecegoods. England cannot be said to have established her industries under free trade principles.

A. There is no other country which has.

20510. *Q.* Therefore my question is, do you consider that there are any special conditions local to India why a different policy, a policy different from the one adopted in every other civilised country in the matter of the development or the establishment of industries is good for India ?

A. I consider that the enormous bulk are agricultual in India. That is a conclusive reason.

20511. *Q.* In comparison to those countries which have adopted protection ? What is the economic condition of India ?

A. The economic condition of India is that something like 95 per cent. to 97 per cent. of the population is struggling and have no sufficient money to clothe themselves, and to buy such luxuries as are available to them and I consider that their interests ought to be considered before that of the industrial community.

20512. *Q.* That is true. We are told that India is largely agricultural and that large bulk of the population do not get adequate food to eat and adequate cloths to clothe themselves. Do you think there is anything in that ?

A. I think that is because they have got to pay too much for their clothes.

20513. *Q.* Even then they do not get sufficient cloth to clothe themselves, they do not get sufficient food to satisfy their physical needs. Under these economic conditions of India would you not make efforts to improve the economic condition of the country ?

A. I should certainly try to improve the economic condition of the country.

20514. *Q.* How would you improve ?

A. Well, if you want my opinion I would do it by trying to improve the breed of cattle. It has not much bearing on this subject.

20515. *Q.* If free trade policy is so advantageous as is suggested, can you tell me why England has departed from it to a certain extent during the last three years ?

A. The conditions in England during the past three years or rather eight years, I consider to be rather abnormal. In the matter of the import duties imposed in England, I think they were a good deal actuated by the desire to improve the American exchange.

20516. *Q.* Do you think that the import duty of 33⅓ per cent. on motor cars was not intended to protect the motor car industry ?

A. I think it was mainly intended to bring more money from England to America.

20517. *Q.* Is that not one form of protection ?

A. Certainly.

20518. *Q.* Then the Act which was recently passed, the safeguarding of Industries Act is that not a move in the direction of protection ?

A. I do not know what the safeguarding of Industries

20519. *Q.* It is an Act which enables the legislature after certain enquiries to impose heavy import duties against the import of certain articles which unduly compete with the local manufactures ?

A. Well, I do not expect that to do much good.

20520. *Q.* That is a different matter. It now comes to this, that there is no country not even England that adopts free trade. Under these circumstances would you still have free trade for India?

A. Certainly.

20521. *Q.* I am glad to hear that. On page 3 of your statement you say 'In the present fluctuations of exchange, an effective tariff appears impossible to find. A protective duty of 10 per cent. is neutralised by a rise of 10 per cent. in the exchange ; and though that may seem impossible in the present state of affairs in India, I can only ask the protectionist to consider what tariff would be effective in keeping out goods produced in German marks or Russian roubles'. My question is would you regulate your fiscal policy on such exceptional cases ?

A. No, I should not. I should have a fiscal policy which would be independent of exchange.

20522. *Q.* Which would be best under normal conditions ?

A. Yes.

20523. *Sir Edgar Holberton.*—*Q.* You have been, I suppose, something over 20 years here ?

A. Yes.

20524. *Q.* During that time did you notice any advance in the industrialisation in India ?

A. I think I have noticed considerable advance in the Bombay Cotton Mills, the Calcutta Jute Mills and the Bengal coal mines. Otherwise I am afraid that most of the experiments have resulted in failure.

20525. *Q.* What do you put that failure to ?

A. To the fact that the country is unsuited to the production of those commodities.

20526. *Q.* In fact yon consider that where there is no foundation and good prospects for any particular industry, it is better not to start the industry at all in India ?

A. I think so.

20527. *Q.* Do you consider that the country is not really adapted for industrialisation ?

A. I don't think it is. There are plenty of new lines to be found but nobody has yet succeeded in finding them.

20528. *Q.* Do you want protective tariff ?

A. That is my view.

20529. *Q.* If there are industries which can be exploited in this country, they will be found by intelligent and hard working people without protection ?

A. I think so.

20530. *Q.* You do not see where a policy of protection would stop. If you begin protecting you have to protect every other industry. You have got a paragraph about that on the first page of your statement. In your experience have you come across any instance where protection to one industry has been a handicap to another ?

A. I thought it would have appeared to the Commission. I understand for instance from the leading reports I gather that certain paper mills have objected to the fact their profits are curtailed by the protection which may have been given to paper pulp produced in India and so on.

20531. *Q.* Now your idea would be really to turn more attention to the scientific development of agriculture ?

A. I think so. In every possible way to help agriculture rather than industries.

20532. *Q.* When you put forward your idea of excise duty at the beginning, you are going on a common place notion that there is not going to be a big deficit in the Government of India's budget. I suppose your idea was that you have to find money and if you raise it by customs duty, you ought to put excise duty, also. Is not that your idea ?

A. I am afraid, Sir, I still hope for good days.

20533. *Q.* One of our questions in the paper which naturally you have not answered is whether you would be in favour of direct or indirect form of taxation. Have you studied that question ? Do you think for instance that there is any room for direct taxation ?

A. I think I should prefer indirect taxation to direct on the whole. I think its incidence is feared in India.

20534. *Q.* That is why you suggest this combination of customs and excise rather than anything in the way of direct taxation ?

A. Yes.

20535. *Q.* Don't you think that big customs tariff is unfair to the consumers ?

A. It seems to me merely placing the money in the hands of the capitalists.

20536. *Q.* I understood you to tell the President that you did not know very much about the safeguarding of Industries Act. Have you not seen very very strong comments that appeared in most of the trading papers that it was very unfair and that it would ruin the trade of England ?

A. I am afraid I know not.

20537. *Q.* The reference to the Mica instance which you give us, I imagine, is to show that a very carefully devised scheme of import duty can be defeated by facts which are taking place. Is that your idea ?

A. My idea is to show how peculiarly suited to certain trades the labour of this country is. There are certain trades which no customs duties in other parts of the world can take away from India. I think there are probably better instances, but I cannot remember.

20538. *Q.* You think mica is a good one ?

A. Yes.

20539. *Q.* Because you have really been connected with the trade of all kinds ?

A. Several of them.

20540. *Q.* You speak with the result of your experience not only in business but in agency of import business of all sorts.

A. Yes, but I have ceased to do much of import business now.

20541. *Q.* But you have certain amount of experience ?

A. Yes.

20542. *Mr. Narottam Morarji.*—In paragraph 2 of your statement you say, " It appears to me to be equitable that the whole of such increase of price should be absorbed by Government in the interests of the country generally, rather than that part of it should be retained by the owners of protected industries." If the Government were prepared to do that would you have no objection to the protection ?

A. If the Government does that it becomes revenue duty corresponding to excise and customs.

20543. *Q.* In answer to the President you said that 97 per cent. of the Indian population are agriculturists, that is depending on agriculture. How did you arrive at that figure ? We are told that it is about 70 to 80 per cent.

A. I take that figure from you, but I think it is very much higher. Taking the population roughly at 330 millions, it is rather difficult to find that a quarter of that is industrial.

20544. *Q.* You know that the agriculturist spends much on cloth ?

A. Yes.

20545. *Q.* We were told that the average per head spent on cloth is Rs. 5.

A. Yes, they like to spend more.

20546. *Q.* Have you found out the figure ?

A. I don't know.

20547. *Q.* You said that cattle breeding will help the economic conditions of India.

A. Yes, I think so.

20548. *Q.* How ?

A. Well, if you want me to give a desertation on cattle breeding, I consider that if any extra weight or size is added to the cattle, it firstly gives more milk, secondly, it gives more flesh and bone and lastly it gives more manure which is the most important item in agriculture. My own view is that nothing could be more important to the country than to raise the average weight of cattle by a few pounds all over the country. That is, however, my personal view.

20549. *Q.* You know that bones and manure are exported from India?

A. I am afraid that bones are but manure mostly goes back to the land.

20550. *Q.* Would you like to put an export duty on bones?

A. I have not considered very much about export duty, but I think I would rather do.

20551. *Q.* Did Japan improve her economic condition by cattle breeding?

A. I am afraid I do not know anything about Japan.

20552. *Q.* Do you know what the rate of duty in Japan is on foreign textiles?

A. I am afraid I do not know.

20553. *Q.* Did not Japan advance in her cotton industries by putting heavy duties?

A. I think Japan did possibly get a start by imposing a duty which the people had to pay and the result was that Japan went nearly bankrupt at one time.

20554. *Q.* Does it not now send piecegoods to India?

A. Yes, at a price.

20555. *Q.* Why is she able to send when she buys cotton from India?

A. One reason is Japan has made so much money in the world that she has been saved from bankruptcy.

20556. *Q.* She has made money during the war by selling her cloth at a loss?

A. That is the general impression.

20557. *Q.* Do you think that Japan would be prepared to throw away her goods for nothing?

A. Well that seems to be the impression that Japan was actually losing money at the moment.

20558. *Q.* That is your impression. You cannot say definitely?

A. No, I cannot say definitely.

20559. *Sir Montague Webb*:—*Q.* I gather from your written statement that your attitude generally is that of an orthodox free trader.

A. Yes.

20560. *Q.* You believe, I take it, that individuals and the nations if left exchange their products without hindrance that each will get the maximum result with the least effort?

A. I think so.

20561. *Q.* And following on that principle of development each side would be able to accumulate the greatest savings?

A. I think so.

20562. *Q.* So that the greatest economic gain can be obtained at the minimum of effort and expenditure by this principle of free exchange?

A. I believe so.

20563. *Q.* Now that is only the attitude of the orthodox free trader and I believe is axiomatic and altogether beyond question. But at the same time there are certain modifications and exceptions which even orthodox free traders are prepared to admit, for example, I take it, John Stuart Mill and several others would be prepared to admit the need of giving some encouragement to native industries even at the expense of national dividend.

A. I don't think I should. I am afraid that the experience of Bombay in the last three years would make me hesitate. As a rule most of the nascent industries have perished at a very early age.

20564. *Q.* Will you tell me a few of the nascent industries that have perished in India? I can recollect a great number that are flourishing, but cannot remember any that have perished.

A. I think the industry of pressing oil from oil seeds has received a severe blow.

20565. *Q.* You don't think that the industry is doing well?

A. I am afraid it is not.

20566. *Q.* Can you tell us any more infant industries that have come to grief?

A. The publication of business journals. I am afraid I can not say any more on the subject.

20567. *Sir Manekjee Dadhabhoy*: *Q.* What is that publication? Does it refer to any particular company?

20568. *Sir Montague Webb*: It is the publicity business. I must say the Commission has not yet heard the suggestion that the publicity business should be protected by tariffs. Hitherto I have always been interested with the protection of infant industries and by infant industry I mean one with regard to which there is a reasonable prospect of success, that the recognition of such industry has always been recognised even by the most rigid free traders as a reasonable or rational proceeding. India produces great many raw products like jute, cotton, oil-seeds, hides and skins and there are other by-products also. India has an enormous market ready, the 330 millions of people are ready to buy if they can. It has ability and talents. The manufacture of those products such as are most suitable for consumption in India might resonably be regarded as an infant industry which should be encouraged if it can be done without very great expenditure. Don't you approve of that? You don't go so far as John Stuart Mill and Adam Smith and most of the orthodox free traders in that respect.

Sir Montague Webb continued.—It seems to me that the manufacture of such raw products as are most suitable for consumption in India might reasonably be regarded as an infant industry which should be encouraged, if it could be done without any very great expense. You do not go so far as John Stuart Mill and Adam Smith, and most of the orthodox free traders, in that respect.

A. I am afraid I do not.

20569. *Q.* It has been suggested to us also that in matters of national defence for example it might be worth while to forego a little of the national dividend in order to bring about the development of industries essential for national defence, more particularly iron and steel. Would you be prepared to expend a portion of the national dividend towards that end? Of course the iron and steel industry has not been protected in England because they have got iron and steel. But in this country the development of iron and steel has yet to be carried to a high pitch. The industry is essential because it is of national value for purposes of national defence. Would you go out of your way to expend a little of the national dividend in developing certain industries for purposes of national defence?

A. Do you mean to spend the nation's money upon munitions.

20570. *Q.* I regard munitions as a production of iron and steel which is of very great national importance?

A. Naturally I should support that. But I should be very anxious to see it done in such a way as not merely to transfer the nation's money to the pockets of individuals.

20571. *Q.* But assuming that the industry could not be developed without some assistance, would you be prepared to give any assistance or would you say "No. If it can not be developed it cannot be developed" and leave it there?

A. I think I should leave it to the individuals to develop. I cannot agree to paying profiteers in peace more than in war.

20572. *Q.* I am not suggesting the favouring of profiteers. I am suggesting the building up of such industries as might be essential for purposes of national defence. I have not yet suggested how they should be built up. I was merely enquiring if you would be prepared to forego any portion of the national dividend to bring about that end.

A. I should be prepared to forego a portion of the national dividend provided it did not merely pass into the pockets of the capitalists.

20573. *Q.* You would be prepared to do that provided that the industrial concern is not allowed to make extravagant profits. I do not think everybody would want to go as far as that.

A. I find it a little difficult to visualise the position exactly. It was desirable that owing to war you should have very large shipbuilding works at home, but I cannot quite see how the nation is at present to keep those shipbuilding yards employed and provide for two or three hundred unwanted ships.

20574. *Q.* To take an example of this kind, the development of this country is very much behind-hand in the matter of railways. If we had plant here which produced rolling stock and all that kind of material, would you not consider that the possession of that plant would be a national advantage for purposes of defence? I am not thinking so much of shipbuilding, though some people advocate protection for shipbuilding. But I suggest for consideration railway development which is essential.

A. The question surely depends on what kind of locomotives they would be able to produce in this country.

20575. *Q.* Would you take any steps and forego any portion of the national dividend to endeavour to establish a locomotive industry? It could be done. It is going on bit by bit now.

A. Locomotives seem to me to have a good deal of protection in this country as things are at present, by natural means, and I do not think that putting on a 10 or 20 per cent. duty on imported locomotives would be of any use. We could not produce any better locomotives in this country. The country would merely be paying to somebody to profiteer by producing indifferent locomotives.

20576. *Q.* Suppose Government in place of an import duty were to give the locomotive department a bounty for the production of locomotives?

A. You mean if Government were to pay more for Indian made goods than for imported goods?

20577. *Q.* Yes.

A. I think this question has been discussed by the Railway Committee. I think that was also discussed by Sir George Collier of the India Office when he came out on the Stores Purchase Committee. I am afraid I cannot remember exactly, but I have no doubt that it was ably discussed.

20578. *Q.* I suggested two directions in which there might be some grounds for diverting a portion of the national dividend in order to bring about the development of certain industries essential for purposes of national defence. It has also been put before us that there are other advantages, for example, arising out of the diversity of occupation which gives people greater opportunities of showing their talents. It is also suggested that the management of big industries is a very valuable administrative training. It has been suggested that one of the reasons why Bombay is pre-eminent politically is because of the existence there of very big industries. It means that men are encouraged into big undertakings, have big responsibilities and are in all respects better and have a wider outlook on things. Also it has been suggested to us that the creation of these industries means accumulation of capital with which your progress would be to a degree very much greater than you can expect to arise from agricultural development. The profits of agriculture are distributed throughout the country whereas the profits of industrial undertakings are concentrated in a few hands and therefore you get more rapid development. But I take it from your answers that you would not be prepared to go to any expense to bring about those developments. Is that your view?

A. I think so. As a resident of Bombay I should say that the industries of Bombay have grown up through the genius of its inhabitants rather than that the inhabitants have grown richer because of industries in Bombay.

20579. *Q.* In other words, you would not make any departure calculated to reduce the national dividend in order to bring about those developments?

A. No.

20580. *Q.* Then why do you say that you would rather like to have an export duty on bones?

A. I have very little considered export duties of any kind, but they seem to me to come in a different category to import duties, and I should have no very great objection to them.

20581. *Q.* What you would be doing in effect is this. You would be endeavouring to bring about artificial development in this country at the expense of those people who are selling bones. In other words you are introducing a fiscal policy calculated to benefit the agricultural class, while you would not have a fiscal policy calculated to benefit the industrial class. Why do you make that discrimination? If you would make no effort in one direction why are you prepared to make an effort in another direction?

A. I do not quite see how.

20582. *Q.* I think the duty is surely calculated to restrict exports and lessen the price in this country just as the import duty is calculated to raise the price and encourage production?

A. But it seems to me to cut both ways, because in this specific case the commodity comes from the same people who are going to buy the commodity.

20583. *Q.* You mean as manure for the agriculturists?

A. Yes. I cannot say they are any better off or worse off than before.

20584. *Q.* I can only come to the conclusion that you are even more orthodox in these respects than the more orthodox of our tutors.

Mr. Seshagiri Iyer.

20585. *Q.* I do not think that you realise that India is a poor country?

A. I believe so.

20586. *Q.* I believe your suggestion means that that poverty can be got rid of by improved agriculture?

A. I think it is the best way to improve the condition of the people, and of course I should like also to develop industries at the same time.

20587. *Q.* Do you know that in this country there are too many men on the land?

A. I will take it from you.

20588. *Q.* For example, take Madras and the United Provinces. There many men have gone out to the Straits Settlements, Ceylon and various other places, because they could not find sufficient employment in the land. The agriculturists are too many in number. Take Bombay and compare it with Madras. Inasmuch as there are industries in Bombay they give employment for a large number of people, and you find that there is less migration from this Presidency than from the other Presidency?

A. Yes.

20589. *Q.* Therefore if there is a large number of industries in the country the result would be to give more employment to our men and thereby enable them to save money.

A. I quite agree.

20590. *Q.* Then why do you say that the only way of development is by improved agriculture?

A. I think it is the main way of developments. Of course I am most anxious that industries should be developed too.

20591. *Q.* You would like that industries should be developed thereby minimising the danger of famine from which India is suffering periodically?

A. Quite so.

20592. *Q.* You know that in this country we have had a free trade policy?

A. Yes.

20593. *Q.* Under a free trade policy we have not been able to develop our industries so much?

A. I should say we have developed them very considerably.

20594. *Q.* Perhaps in Bombay and Calcutta you have got a certain number of industries developed. But take Madras and the United Provinces. In consequence of a free trade policy there has been no development of industries in these provinces?

A. I do not think the conditions there are suitable for development of industries.

20595. *Q.* Why? Take Madras for example. Madras cotton comes to Bombay. I think there is cheaper labour there than in Bombay, and yet we have not been able to develop industries because there is no protection?

A. But you have got the same protection in Madras as you have in Bombay.

20596. *Q.* But so far as Bombay is concerned, there are some people who have been inclose business relations with Europeans, and notwithstanding free trade and notwithstanding various difficulties they have been struggling hard and have to a certain extent succeeded. Is that so?

A. The reason why there are cotton mills in Bombay and none in Madras is that we do things better in Bombay than in Madras.

20597. *Q.* You have struggled of course, and you have had certain advantages. You must remember that Bombay is the gateway of India and has got greater facilities than other Presidencies. The result is that notwithstanding adverse circumstances Bombay has been able to develop industries. These conditions are not the same in Madras or other provinces.

A. Yes. It is so.

20598. *Q.* Therefore it is the duty of a national Government to do something to develop industries in this province.

A. I am afraid I should rather disagree with you. My view would be that it is the duty of Government to interfere very little and to leave it to the merchants to develop. I am afraid I can hardly remember a single case in which Government has developed industries very much because I believe that merchants do it better than Government.

20599. *Q.* In the province of Madras (I do not know whether it is the same thing in the case of Assam) I know that Government did help in stimulating the tea industry. In the earlier stages Government did help the industry, and the consequence is that the tea industry has begun to hold its head.

A. I am not aware of it.

20600. *Q.* That is so in Madras?

A. As regards the coffee plantations the planters were encouraged. They were given land and subsidies. In the earlier stages they got all assistance from Government, and they do not want it now. There is nothing unusual in this country for persons to be encouraged by Government by means of subsidies and so on.

A. I know. That is just what I have been complaining of.

20601. *Q.* If that has been done and if these people have become successful and industries have flourished, is that not a good reason for inducing Indians by means of protection to start industries?

A. I hardly think so.

20602. *Q.* I cannot force you to think so. Coming to the question of countervailing excise duties, I take it when

you spoke of the countervailing excise duty, you spoke of it as a duty to minimise the disadvantages which a particular class of people suffer from.

A. I do not think I have ever spoken of the countervailing excise duty. I have spoken of a corresponding excise duty.

20603. *Q.* That means the same thing. In the case of the textile industry in this country the 3½ per cent. excise duty was wanted in consequence of any harm that might have been done to Lancashire by the import duty. It was thought that Lancashire might prosper if a corresponding duty was put on the Indian textile industry.

A. I take the countervailing Excise duty to be like the duty put on sugar to correspond with the subsidy that was given to it by the Austrian Government.

20604. *Q.* That may be another instance.

A. That is why I did not use the word "countervailing".

20605. *Q.* The question I want to put to you is whether in any civilised country a duty of this nature has been put upon the home manufacturers.

A. Yes.

20606. *Q.* Is there any civilised country where a corresponding duty has been put (I do not use the word "countervailing)" on the home manufacturer?

A. I take the case of England where it was put on whisky and beer.

20607. *Q.* Is it the case of a corresponding duty? I think it is called a consumption duty. Government want revenue. They tax an article which is produced in large quantities in the country, just as in the case of salt. It is not a duty corresponding to something else elsewhere. That is the distinction which I want you to draw.

20608. *Mr. Rhodes*—*Q.* I gather that your point of view is that industries are not necessarily good for the country and that they are only good if they are economically sound and can stand on their legs.

A. That is so.

20609. *Q.* We have heard a good deal about the cotton industry of Japan. We have been told that the conditions under which this industry is run in Japan are something as follows. She has cheap labour which she runs for 23 hours a day in three shifts; she uses a foreign raw material, a great deal of her staff has to come back for India in both cases; she subsidises her ship at the expense of the State and by agreement amongst themselves, so we are told, she sells at higher prices to her own people than she does to others. These are the points of view. Now do you regard the Japanese cotton industry as sound and beneficial to the country?

A. On the facts as you have stated them I should say that the country was paying rather heavily for its cotton business.

20610. *Q.* Well, now taking it a bit further we are getting some benefit of that cheap cloth which is sent out, specially on the eastern side more distant from the cotton mills of Bombay which I suppose is adversely affecting the prosperity of the Bombay mills. Do you think that the duty of India is to prevent that cloth coming in in the interests of her industry or to allow it to come in in the interests of her poor people.

A. I think that it is better to allow it to come in in the interests of the people.

20611. *Q.* How far would you carry that argument, to the absolute ruination of the Bombay mill industry?

A. The ruination of the Bombay mill industry is rather difficult to visualise at the present moment but still I should think myself that if it was a case of ruination Japan would be ruined first. Japan obviously loses more than the Bombay mill industry. It is ex-hypothesi as you have stated it.

20612. *Q.* In regard to the question of dumping of sugar, until the dumping got very bad anyhow you would not consider it but would rather mention a countervailing excise duty.

A. That was a very extraordinary case. It was imposed in the interests of British Guiana but as a rule I am afraid I am puzzled as to what dumping means exactly. I am unfortunately Chairman of some lovely estates in Java. We are unfortunately dumping our rubber in America at the moment at about two-thirds of the cost of production but I don't like doing it and I have now heard really any body selling below cost.

20613. *Q.* Now on the question of revenue duties which you have advocated we have at present a flat rate of about 11 per cent. There are certain exceptions like machinery which come at the rate of 2½ per cent. and certain other articles which come at 20 per cent. That is broadly speaking our present tariff policy. There are few articles on which you can put an excise duty but as regards a large number of industries, do you think whether it is possible to establish them under the protection of 11 per cent.

A. Yes, I think I do but it is very difficult to see exactly how you are to get out of it. I admit for instance if you put 11 per cent. as a general tariff and I start a small shop for making saddles I quite see that it would be very difficult to make saddles out of Indian labour. It would be very difficult to catch everybody. I quite see that.

20614. *Q.* If you had a little more revenue next year, would you take off the 11 per cent. duty and ruin the saddle industry?

A. No, I should take my hat off to the Finance Minister if he was able to take off all revenue duties.

20615. *Q.* You don't think that it would be hard on anybody if the 11 per cent. duty is to be taken off.

A. No, because I don't think that it is sound in the very least for anybody to start an industry in which he is dependent on protection.

20616. *Q.* Not even if the protection was produced by the necessity of getting income from revenue tariffs.

A. No.

20617. *Q.* Then as regards the 2½ per cent. on machinery would you raise the duty to 11 per cent. and have a flat rate all round?

A. I think that on the whole I should for the sake of convenience.

20618. *Q.* Would you be consistent above all things?

A. I think so.

20619. *Q.* As regards the Stores Purchase Committee, it has been, I think, laid down that if the prices are not unfavourable there is no objection to buying in the country. This is rather indefinite.

A. I remember it.

20620. *Q.* There are certain advantages in the employment of labour, payment of income tax, the education of people for administrative purposes, some of them are very indefinite and some of them express convenience, in establishing industries. Supposing I go to the Government and say "I am prepared to open workshops for something that has not been manufactured in India hitherto provided you give me standing order for five years on a sliding scale at a small percentage above the current prices ruling in England." Do you think that Government should give me that order?

A. It is a commodity not at present produced in India.

20621. *Q.* Yes. Supposing I say to the Government "I don't want continued protection but I do want something to go to the public with to get the capital; if you will guarantee me work for the first five years at rates slightly above those prevailing at home I will establish my works and after five years I will take my chance of getting orders from you."

A. You guarantee to produce exactly the same article. You are starting in India to produce an entirely new article and I am afraid I myself should be shy about buying from you.

20622. *Q.* If I am willing to give the guarantee in the first instance I would naturally import my experts.

A. For instance if it is a locomotive, I should be a little nervous of buying Indian made locomotives.

20623. *Q.* You need not take it if it is not to the specifications.

A. Subject to that I should be quite prepared to see Government pay a slight premium. That is what is always done and I don't think that it offends my susceptibilities at all.

20624. *Q.* It would be really asking the man to back himself. The Government will say "we will back you if you back yourself."

A. It is a very, very mild form of protection.

20625. *Q.* It gives the man encouragement to start.

A. By giving you a very small premium over foreign goods.

20626. *Sir Montague Webb.*—*Q.* Is this not putting a feeding bottle into the infant's mouth?

A. I understand that feeding bottles are frequently put into the infant's mouth.

20627. *Mr. Mant.*—*Q.* I want to clear up a couple of points in the tariff history of England. The President I think asked you to give instances of excise duties in England and you mentioned those on spirits and beer. Are you aware that nearly 50 years ago England imposed an excise duty on cotton goods produced in the United Kingdom?

A. I was not aware of it.

20628. *Q.* An excise duty was proposed in 1784 and was not repealed till 1831.

A. I was not aware of that.

20629. *Q.* It is a fact. I understand that your general view of the development of industries in England is that English industries were not developed under a system of protection and the high duties which were imposed in the early part of the 19th century prior to pay for the Napoleonic war were a rather hinderance than an encouragement to the development of industries.

A. That is what I have always understood.

20630. *Q.* The high duty on corn raised the cost of living and the cost of labour which raised the cost of manufacture.

A. That is what I have always understood.

20631. *Q.* The industrial party advocated it free trade in order to reduce the cost of manufacture.

A. Yes.

20632. *Mr. Jamnadas Dwarkadas:*—*Q.* You are an out and out free trader.

A. I think so.

20633. *Q.* You think that the policy of free trade would be in the best interests of India.

A. Yes.

20634. *Q.* That is why you have advocated it.

A. Yes.

20635. *Q.* You are, I think, aware that since the advent of British rule in India, we are following a policy of free trade.

A. Yes.

20636. *Q.* How has that policy contributed to the improvement of India's economic condition?

A. It has developed all the industries which have hitherto proved capable of development, I think.

20637. *Q.* You said in answer to a question put by the President and Mr. Narottam Morarji corrected you that about 90 per cent. of the population depend on agriculture to-day.

A. I should have thought so.

20638. *Q.* You have probably read the Government reports where it is said that the condition of the masses is so miserable that they hardly find a second meal.

A. I am afraid that they are very bad.

20639. *Q.* It is very bad and it is not a desirable state at all.

A. It is not.

20640. *Q.* And this state is mainly due to India's almost entire dependence on agriculture.

A. Well, I should not admit that.

20641. *Q.* What is it due to then?

A. It is largely due to the fact that the agriculture of India is not a very promising soil to work upon.

20642. *Q.* You have probably read of times when India was prosperous.

A. No, I don't think I have.

20643. *Q.* You have never read of India as having been prosperous and you have never read of the times in which she used to export raw materials and was rich agriculturally

A. I should be inclined rather to dispute that.

20644. *Q.* Do you remember the phrase—" when Westerners come to India, they come to shake the pagoda tree."

A. That was true at the top.

20645. *Q.* I think that it was the riches of India, the resources of India that attracted the Westerners.

A. It was the riches of the court of Moghals of Delhi but you can have a very rich people and great and very great poverty among the agriculturists.

20646. *Q.* Have you read history? I can tell you that it is a historical fact that India was on the whole much more prosperous than she was after the advent of the British.

A. I have certainly never undersood that.

20647. *Q.* Only economically.

A. Well, I don't quite know. I am afraid I have not read so much as you have on the subject, but I have always understood that in the 18th century in particular India was visited by famine after famine on an enormous scale.

20648. *Q.* Do you know that in spite of the fact that India was visited by famine after famine, the staying power of Indians was much greater than what it is to-day.

A. Political power?

20649. *Q.* The staying power, the resisting power of the population. This is Lord Curzon's phrase.

A. Yes, I don't think that there is much evidence to show what it was one way or the other.

20650. *Q.* Leaving aside past history you don't dispute the fact that India is economically in a very bad condition to-day.

A. I think I do.

20651. *Q.* Even when you think that free trade in principle is the best policy, would not you like that India should be placed on an equal level industrially with the other industrially advanced countries before you advocate free trade for India?

A. I don't think that India can be on a level, at least not for many years to come with more industrially advanced countries.

20652. *Q.* But you would make every effort to place India on a better level.

A. We have to do our best to place India on an equal level, but I don't see how you are to do it by protection.

20653. *Q.* Take India. It has got raw materials, cheap labour and other natural facilities for the development of industries.

A. Yes, it has certain facilities.

20654. *Q.* Now take Japan. Japan had not the raw material, Japan had not the facilities which India has for the development of the cotton industry.

A. No.

20655. *Q.* Some years ago Japan was even behind India and to-day Japan has gone ahead of India in regard to the cotton industry. Is not that a fact?

A. Yes.

20656. *Q.* Is this not due to the policy of protection that Japan adopted?

A. I don't think so.

20657. *Q.* What is it due to?

A. It is due to the fact that Japan is not a tropical country. Its population has much greater staying powers than the population of India and is able to work in three shifts for 23 hours a day in a climate which is thoroughly suitable to the production of cotton goods.

20658. *Q.* And you think that the policy of protection which Japan adopted has not contributed at all towards Japan's advance in cotton industry.

A. I should think very little, and only at a very great cost to the country.

20659. *Q.* At a great cost no doubt, but it has contributed to the advancement of the cotton mills.

A. By a protective duty of 100 per cent. the cotton mills got very rich at the expense of the country.

20660. *Q.* I am not talking of 100 per cent.

A. Say 20 per cent. The same argument holds good.

20661. *Q.* Let us take the history of cotton industry in India. You seem to favour an excise duty.

A. Yes.

20662. *Q.* In India the policy was to have an import duty and a countervailing excise duty. I am talking not of the present time when there is a fair margin between the import and excise duties. Originally it was the same. We have heard from English and Indian witnesses that that policy was dictated in the interests of Lancashire. Do you agree to that?

A. I do not agree to that for one moment. It was levied because it was necessary to raise revenue by putting an import duty upon imports and it was not intended generally speaking to transfer the amount of the import duty simply into the pockets of the local mill-owners.

20663. *Q.* What was the effect of it leaving aside the intention? Did the Lancashire mills get indirect benefit or not?

A. No, they both started on the same footing.

20664. *Q.* Do you mean the Indian industry and the English industry?

A. Yes.

20665. *Q.* The nascent Indian industry did not get any advantage because of that.

A. Not any undue advantage? The great thing to be desired is that the people of the country shall get good value for their money, not that the owners of mills should make more money.

20666. *Q.* And you think that it was a fair policy.

A. It was a perfectly fair policy.

20667. *Q.* Is there any competition between the goods that are imported from Lancashire and goods that are manufactured here in piecegoods. Most of the stuff produced here is consumed by the masses. Is it not?

A. Yes.

20668. *Q.* And the finer stuff that is imported from Lancashire is consumed by the so-called better classes.

A. Yes.

30669. *Q.* So if there was an import duty, it would tell on the pockets of the better classes, would it not?

A. If they still continued to import goods from abroad, yes.

20670. *Q.* Whereas if an excise duty is levied, it would have the effect of raising the price of the home-made cloth for the poor.

A. That is right.

20671. *Q.* Well then, would you still advocate an excise duty if the money that goes to the Government Treasury comes not from the pockets of millowners but from the pockets of the poor consumers.

A. My point is that it is the rich people who pay the import duty.

20672. *Q.* The millowner does not pay out of his pocket the 3½ per cent. excise duty but it is the poor consumer that pays.

A. Yes. If you have a 11 per cent. import duty and only 3½ per cent. excise duty the result is that the poor consumer pays the full 11 per cent. of which 3½ per cent. goes to the Government and 7½ per cent. goes to the millowner.

20673. *Q.* You yourself admitted that there was no direct competition between the products of the local mills and the Manchester goods.

A. Though it was so to a very large extent, because Manchester does produce a better class of goods than the mills of Bombay, still I think that the price of Manchester goods does govern the price which the Bombay millowners can get for their Indian manufactures.

20674. *Q.* Do you really think that it governs to a considerable extent?

A. Just as I think the price of the mill-made cloth governs in its turn the price of the hand-made cloth.

20675. *Sir Manakjee Dadabhoy.*— *Q.* After the fruitless attempts made by my colleagues Sir Montagu Webb and Mr. Rhodes to make you agree to a judicious and moderate system of protection, I shall not waste any more time because I know I shall not succeed. I would therefore confine myself to elucidating some further information in respect of certain answers which you have given in your oral deposition to-day. In answer to Sir Edgar Holberton you said that you had been for the last 20 years in Bombay.

A. Yes.

20676. *Sir Manakjee Dadabhoy.*—*Q.* I understand you have derived all the information which you have laid before the Commission to-day from your stay in this country?

A. Yes, but I was taught to read and write at home.

20677. *Q.* I do not mean to imply that you came without any knowledge from home. You have been for 20 years connected in business which consists in the exporting of raw materials and the importing of finished-manufactured goods?

A. For the last 12 years I have had nothing to do with exporting.

20678. *Q.* Nothing to do with the exporting of raw materials?

A. Yes, except a very small quantity of timber from Siam.

20679. *Q.* And during these 20 years may I know if you have stayed in Bombay or you have come in contact with the rural population of India?

A. Well, I have spent sometime in Bombay; I have spent a good deal of time in Calcutta. I have walked over across to Upper Burma and Upper Siam; I have been a good deal on the tea estate and a good deal in Lower Burma.

20680. *Q.* Leave Burma and Siam aside. Confine, yourself to India. Have you come in contact with the rural population, their habits, conditions of life, their business etc.?

A. I think I know as much as anybody knows in the Presidency. I have spent as much time as I possibly can get in the country.

20681. *Q.* I am asking you this question, because you have said: I have taken your words that the people do not get enough food because they have to pay heavily for their clothes.

A. That is one reason.

20682. *Q.* I want to examine this reason a little further. Take the country people. How much do they spend on their clothes?

A. At present they are paying about Re. 1-8-0 for a cloth.

20683. *Q.* Do you know how many dhoties they use for a year?

A. I do not know.

20684. *Q.* Do you know how many shirts. I mean the cloth he puts to cover the upper portion of his body?

A. I am afraid I do not.

20685. *Q.* You have not worked out how much of the percentage of his income is spent on clothing?

A. No. One reason for that is, it is very difficult to know what his income is. The income of many of my friends in the jungles is very small indeed in money. They mostly own their own patches of land and I thought they lived on their own production.

20686. *Q.* You do not know that?

A. I do not know.

20687. *Q.* Then what is the basis of your remark that he starves because he pays heavily for his clothes?

A. Obviously the more you pay for your clothes the less you have to spend in other requirements.

20688. *Q.* But you have no data to work on?

A. I am perfectly willing to say that I am sure that he does not pay 12 sh.

20689. *Q.* You think he starves because he pays heavily for his clothes.

A. The less he pays for his clothes the more money he has for his food.

20690. *Q.* I have lived in this country all my life; I have mixed with the people and I have known them; and my first hand information is that clothing is a secondary consideration with him. He first thinks how to keep his body and soul together. That is his worry from day to day and from year to year. I am sure that this opinion will be shared by many who have lived among the rural population?

A. Quite so. He lives in bad poverty indeed.

20691. *Q.* Assume that your answer is correct: that he cannot get enough food to eat. It follows that he has not got enough scope for employment. Is it not?

A. Yes, to a point.

20692. *Q.* If he has not got enough scope of employment would you not see that he gets some employment which will enable him to keep his body and soul together?

A. Of course I would to the best of my ability.

20693. *Q.* Do you know that agricultural holdings in this country are very very small. They are not like holdings in England, a man owning hundreds of acres. You are also aware you have been to these places that the pressure on the land taking the population and the group of a family, is great?

A. Yes.

20694. *Q.* You admit that the pressure on the land is great and you also admit that there should be more employment. You also admit that there is no money for industries in this country?

A. I do not know where I have admitted the last.

20695. *Q.* What are your objections then for taking the industries to the rural areas for the purpose of giving employment to the rural population;

A. Taking industries to the rural areas? The *charkha*, you mean?

20696. *Q.* The *charkha* does not give him all the money that he requires?

A. Well, I have been told by many authorities that it will.

20697. *Q.* Let us come to practical business. Would you start small cottage industries in the places where these people live to give employment for them?

A. Yes, if it were sound.

20698. *Q.* Then, if the people do not come forward because they have no money and the industrialists of Bombay and Calcutta do not go to the rural areas, do you think Government would be doing a wrong thing in spending some portion of the tax-payer's money in supporting these cottage industries?

A. I think there are plenty of people in Bombay who are prepared to start any industries, if it is a paying proposition.

20699. *Q.* I am a Bombay man myself and I know that the Bombay people would like to remain in Bombay, and they do not like to go to the rural areas. Would you have any objection, in these circumstances, to Government doing something to help the cottage industries in the rural areas?

A. My impression is that the Bombay man will go almost anywhere if there is any money. If he does not go, it means that there is no money in it.

20700. *Q.* My question to you is different. Do you think there is anything wrong in Government paying some money.

A. If the Government do it as a matter of charity, I would rather that Government paid them Rs. 500 in charity than they paid for the establishment of these industries.

20701. *Q.* If Government gives that money to help him establish that industry he will thrive; he will make

money and the business will succeed and Government can share in the profits?

A. That is taking the question for granted. My view is that if Government distributed Rs. 500 in charity, it would be a better way of helping these people than if they gave Rs. 1,000 to help them start these industries. If Government cannot afford Rs. 500 to be given in charity, much less can they afford to lose a thousand.

20702. *Q.* My point for the present is, if Government can afford the money, do you think there is anything seriously wrong in their starting these industries in rural areas?

A. If the industry is unsound, I think it is wrong.

20703. *Q.* But assume that the industry is sound.

A. In that case I think there are plenty of people who will go and start.

20704. *Q.* Take my case as a hypothetical case. If you are not willing to answer, please say so. If you do not wish to answer, I will pass on to something else.

A. I want to give a reply, but my view is that there is plenty of private enterprise to put in capital in any business that is worth doing.

20705. *Q.* I am not able to understand your position. Do you think there is any objection in Government giving a loan at a cheap rate and starting the industry. I do not use the word protecting to which you have got so much objection. Do you think there is anything wrong in Government lending money at cheap rates or starting the co-operative system and thus diverting the national money for the time being in starting these cottage industries?

A. If you want to ask me if I approve of co-operative societies and co-operative banks, I do.

20706. *Q.* My question is not limited to co-operative societies and co-operative banks.

A. My experience of Government starting a new business is that it is invariably not a success: in fact it is always a failure.

20707. *Q.* So you would not like them give easy loans to start these industries?

A. I would not like.

20708. *Q.* Are you aware that the British Government gave a large loan at a lower rate of interest, 2½ per cent. to the Cunard Line when they were in trouble to encourage the shipping industry?

A. I do not know what the value of money at that time was.

(*Mr. Jamnadas Duarkadas.*—It was 4½ per cent.)

20709. *Sir Manakjee Dadabhoy.*—*Q.* It was some assistance. Do you think it was reprehensible?

A. I think it was.

Sir Edgar Holberton.—*Q.* There are well-known reasons for that. It was investment of money in an industry that might be useful in times of war.

20710. *Sir Manakjee Dadabhoy.*—*Q.* Then you think that State aid in any form or of any description is immoral?

A. Not in the least.

20711. *Q.* I mean State protection and State aid.

A. I think it is a very great pity when Government interferes with business.

20712. *Q.* I have heard all these axiomatic principles. I am now trying to crystallise them and see if we can come to some common platform of reasoning. I want to draw my own inference afterwards. If you please would you say that State aid is immoral in all its forms?

A. No; I am not going to make a sweeping statement like that. I accuse nothing of being immoral.

20713. *Q.* You think state aid would be justified under certain circumstances.

A. Yes.

20714. *Q.* You know that even the greatest economists of England, the greatest free traders, have always set limitations to the adoption of free trade.

A. Yes: everybody sets limitations.

20715. *Q.* Why then for India there should be free trade according to you with no limitations of any kind?

A. I think it is most suited to India; to the poor people of India.

20716. *Q.* You stated something to Sir Edgar Holberton about the scientific development of agriculture.

A. I said I would like to see the breed of cattle improved.

20717. *Q.* We shall take that case. If the cultivator's money is spent in improving the breed of cattle, do you take so much money away from his own requirements?

A. Yes.

20718. *Q.* You will make his position harder than it is to-day?

A. Yes.

20719. *Q.* Who is to do it then?

A. The whole improvement in the breed of cattle in England is due to the fact that there are so many wealthy people in England.

20720. *Q.* The wealthy people can do many things. That does not require any statement, Mr. Macnaughten. If a man is in a position to do anything and he wants to do it, he will do it. We have no quarrel on that point. If the money is wanted and nobody is forthcoming, would Government be doing an objectionable thing if they give money for improving the breed of cattle?

A. No: not in the least objectionable. I think it would be a foolish thing.

20721. *Q.* If Government gives money for improving the breed of cattle, what do you call that state aid.

A. I should call that state aid and I should rather call it foolish.

20722. *Q.* Somebody better than you and I can judge that. It would be state aid and that would be protection in some form?

A. It would be protection in a form and that is why I consider it foolish.

20723. *Q.* Then, you said your whole system is a combination of customs and excise?

A. Yes.

20724. *Q.* Will you please enumerate for our enlightenment some of the imported articles on which you would like India to impose an excise duty or on which we could possibly impose an excise duty, except cloth?

A. There are only four important industries at present. One is cotton, then jute.

20725. *Q.* I am not talking of these industries at all. I want you to enumerate certain articles which come from foreign countries to India, on which an import duty is levied, and on the local manufacture of which you can consequently legitimately put an excise duty.

A. I have said in my evidence that I would like to put an excise duty on all such.

20726. *Q.* Will you give me one or two such industries that manufacture articles which are imported from abroad and on which there is an import duty?

A. Well, there are very few articles that are produced in this country.

20727. *Q.* If so those few articles can be easily enumerated.

A. I am trying to do so. There is cotton. Jute,—we do not import jute goods. The only other important industry is iron and steel which might have an excise duty put on it.

20728. *Q.* So iron and steel is the only industry which you can enumerate?

A. Because no other industry of India reaches sufficient importance.

20729. *Q.* You would put an excise duty on iron and steel manufactured in India?

A. Yes.

20730. *Q.* What is your reason, if it will kill the iron and steel industry? It will not give them the ghost of a chance to continue.

A. I do not think it will kill the industry.

20731. *Q.* Even this industry you would not protect?

A. No.

20732. *Q.* Even though it is a key industry you would not protect?

A. I would not protect.

20733. *Q.* Yet I understood you to say that you would like to see the iron and steel industry grow up in this country for defensive purposes. Keep our connection with England apart. Assume that India at present is a free State. Don't you think that India would be justified in giving protection to the iron and steel industry to made herself a self-defensive country. As we would not have any connection with England, we would not get any help from her Army and Navy.

A. I think it would be a wrong thing for India to tax the people put money into the pockets of the manufacturers of iron and steel. I have no objection to India laying down a store of munitions to the debit of the Army Department.

20734. *Q.* So, you would rather like that India should be attacked by any foreign country and be conquered than India should spend some money and put herself in a defensive position?

A. I do not think I put it exactly in that form.

20735. *Q.* But it comes logically to that position. If merchants would not come forward and start the industry here, still you would not like the State to help in starting the industry.

A. If I said that I would start the industry, which no doubt would be for the good of the country, you would be prepared to give me a crore to start with and charge it to the country?

20736. *Q.* The State should give you a loan.

A. Give me a loan and pay me 25 per cent. more for the value of the goods? I call it very lucky for me, but very bad for the country.

20737. *Q.* Has not England since the war done anything in the matter of maintaining and providing her labour by State aid of any kind? Take the case of unemployment pensions.

A. Yes.

20738. *Q.* What do you call that? It is not an immoral thing?

A. I have maintained throughout that it was not. I think it is cheaper to provide unemployment pensions than to bolster up inefficient industries.

20739. *Q.* You will give that sum, and yet you will not help a struggling industry that can be put on its own legs?

A. I do not think there have been such cases.

20740. *Q.* You said that from your experience in Bombay during the last 2 or 3 years you have seen several industries perish. Can you kindly enumerate them?

A. I am afraid I am not prepared to make any statement. Any stock-broker will give you a list.

20741. *Q.* You made that statement, and I would like you to give me any information on that point. Can you give the name of any industry?

A. No.

20742. *Q.* You said that oil mills in India have received a serious blow.

A. I am afraid they have.

20743. *Q.* Why?

A. Because there is no profit to be made.

20744. *Q.* When, were they started?

A. About 5 years ago.

20745. *Q.* Why have they received a serious blow? Because in India you can get foreign oils cheaper than what it would cost to make oil in India, is it not?

A. Then, it is not worth making in India? Is it not?

20746. *Q.* But that is the reason, is it not?

A. I suppose so.

20747. *Q.* If you can make those oil mills pay within 2 or 3 years by giving some assistance, if somebody assured you that the mills would pay after 2 or 3 years if you gave some form of protection, would you still deny them protection?

A. May I make a supplementary statement? I think you have said that people could import oil cheaper in India than they can make it here. That is not correct On the other hand I believe that the people of this country can make it cheaper than it can be done in other countries.

(Witness answering.)

A. But they do it.

20748. *Q.* Does it supply the whole requirement?

A. I think so.

20749. *Q.* You mean to say that oils are not imported? I am not referring to edible oils. I am referring to many other oils.

A. I should say that the import of oils is very small. Certain amount of olive oil is imported. Otherwise not much, I think.

20750 *Q.* What about mineral oils?

A. I am not speaking about that.

20751. *Q.* Can you make them here?

A. Oils required for machinery.

20752. *Q.* Are you making them here?

A. I understand they are made in very large quantities in Burma. We cannot make them in Bombay.

20753. *Q.* I am talking of the whole of India.

A I understand they are made.

20754. *Q.* To the extent of our requirements?

A. More than the extent of our requirements.

20755. *Q.* My information is probably different. I won't trouble you much further. The witness withdrew.

Witness No. 130.

D. CLOUSTON, Esq., M.A., D.Sc., C.I.E., Director of Agriculture, Central Provinces.

Written statement dated the 11th November 1921.

20756. 1. I generally favour a policy of free trade but would have no objection to the imposition of low customs duties which would not seriously interfere with trade.

20757. 2. If fresh taxation were necessary I would prefer an increase in direct taxation to an increase in customs.

20758. 10. I do not think that India will ever become independent of other countries in regard to all her requirements of manufactured goods. As an industrial country she will always be many years behind the West and will find it necessary to import up to date machinery and other goods to enable her to compete with these more advanced countries.

20759. 11. Protective duties should only be imposed on imported goods in the manufacture of which new industries in this country could not reasonably be expected to compete on equal terms until they were firmly established and I would confine protection to industries which are likely after a period to be able to face foreign competition without such assistance.

20760. 15. I would grant special protection against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions by imposing high protective duties on the manufactures of all countries in which they encourage the export trade by granting such concessions to its manufacturers.

20761. 16. Hand industries including the cotton handloom industry should in my opinion be encouraged by Government. Though the hand-loom industry is not one which can compete with the power mill on equal terms still the fact remains that it gives employment to a large number of people who would suffer much in the event of its being allowed to decay.

20762. 17. There is danger in India of protection leading to combination among the protected manufacturers in order to maintain a *quasi*-monopoly price. To counteract this I would impose protective duties only on goods of the nature described in my answer No. 11 and on those the duties should be kept reasonably low.

20763. 18. My answer to the first part of the question is in the affirmative and my answer to the second part of the question is that such a movement should be encouraged. India wants some of the brains, capital and enterprise of the West to help her to develop her resources.

20764. 20. When an import duty is imposed I consider that ordinarily the greater part of it is passed on to the consumer in a rise of price. The remaining part has to be met by the manufacturer who has to sell at a slightly reduced profit.

20765. 21. If a protective duty causes a rise in price that rise is likely to be permanent.

20766. 22. I would be willing to accept a reasonable increase in the price of certain articles to the Indian consumer for the sake of developing Indian industries because I believe that by developing her industries India could add enormously to her wealth; and that the higher wages that would then be paid for labour would more than cover the increased cost of living due to any such rise in price.

20767. 24. An increase in the tariff rates would tend to increase the cost of living in India but the increased cost would in my opinion be far more than covered by a rise in wages or salaries for (*a*) the industrial wage earner, (*b*) the agricultural wage earner, (*c*) the middle class.

20768. 30. Export duties should in my opinion be imposed mainly for the purpose of raising revenue. It may be used, too, however, to prevent the export of material which is badly required and which should therefore be retained in this country. There is no duty on the export of oil-cakes, bones and oil seeds from India, for example, and the result is that these are being largely exported and the country is being deprived of valuable manures and feeding stuffs.

20769. 32. It would be advisable to impose an export duty on such articles as I have mentioned in my reply to

question No. 30 because by doing so it would be possible to reduce the quantity of such articles exported and thereby lost to India. Such action would tend to keep down the price of bone meal and cakes in India; more of them would be used by agriculturists who would as a result of their use get larger outturns and higher acreage profits.

20770. 33. To impose an export duty on foodstuffs with a view to controlling their export and thereby lowering Indian prices and the cost of living would be a great mistake. It is a policy to which agriculturists in the country would strongly object: as the market value to them of their foodstuffs would be reduced to the extent of the duty imposed. They would in short have to pay this duty in order to enable other classes to get cheap foodstuffs.

20771. 35. I am favourable to the idea of Imperial Preference and think that India would be justified in bearing a reasonable economic loss for the sake of Imperial Preference.

20772. 36. I would not differentiate between the policy to be adopted towards the United Kingdom and towards others parts of the Empire. I do not anticipate any material loss to India from a system of Imperial Preference; I believe she is much to gain from it. I do not apprehend any likelihood of retaliation by foreign countries against India.

Oral evidence, Bombay, the 27th February 1922.

20773. *President*:—You are the Director of Agriculture, Central Provinces?

A. Yes.

20774. *Q*. You generally favour a policy of free trade?

A. Yes.

20775. *Q*. You are in favour of direct taxation?

A. I would prefer an increase in direct taxation to an increase in customs.

20776. *Q*. How would you explain your answers to Questions Nos. 11, 15, and 22 as being consistent with your free trade policy?

A. Well, I am generally in favour of free trade but on the other hand if by protection to a limited extent we can develop industries I would adopt protection in the case of those particular industries that require them.

20777. *Q*. I understand your position to be that you are in theory in favour of free trade but that in actual practice you are in favour of developing such industries for which India has got natural advantages and that you would afford protection to them.

A. Yes. I should like it to be understood, however, Sir, that my opinion is a private one and that I am not representing Government. I suppose the Government would have explained that.

20778. *Q*. In answer to Question No. 35 you say "I am favourable to the idea of Imperial Preference and think that India would be justified in bearing a reasonable economic loss for the sake of the Imperial Preference." Will you please elaborate your view a little more fully?

A. I think, Sir, that if India is to play a part as one of the family of nations she should be prepared to sacrifice a little for the sake of the Empire as a whole.

20779. *Q*. That sacrifice would be to the gain of somebody. Is it your idea that for the interests of the Imperial family each member should sacrifice or that India alone should sacrifice?

A. No, each member should sacrifice.

20780. *Q*. I can quite understand the position that each member of the family is to sacrifice. How does the principle of Imperial Preference come in? That is what I want to know.

A. Well, what I mean is this; suppose certian goods are imported into Australia and they charge a certain duty on them. If the same articles are imported from India they should charge only 1-3rd or 2-3rds. India should also do the same in the case of Australian goods.

20781. *Q*.—I understand your position is that you would enter into trade relations with the members of the Empire to the mutual and reciprocal advantage of each other. Isn't it so?

A.—Yes.

20782. *Sir Manukjee Dadabhoy*:—*Q*. I understand that though in abstract you believe in a policy of free trade, you are so far convinced that in India a system of judicious protection would be beneficial to the country?

A.—Yes.

20783, *Q*. You believe that by the development of her industries India can add enormously to the wealth?

A.—I think so.

20784. *Q*. You say in answer to question No. 17 "to counteract this I would impose protective duties only on goods of the nature described in my answer to question No. 11 and on those the duties should be kept reasonably low". Do you think a low duty will afford protection?

A. Of course it depends upon how low they are.

20785. *Q*. You won't mind raising them if they don't?

A. I won't mind.

20786. *Q*. I think there is a little inconsistency in your answer to Question No. 15 where you recommend high protective duties and again in your answer to Question No. 17 you say the duty should be kept as low as possible?

A. Suppose Germany is sending leather to India. Then we might very well put a high import duty on it.

20787. *Mr. Jamnadas Dwarkadas*:—*Q*.—In your answer to Question No. 17 there is a danger in India of protection leading to combination among the protected manufacturers in order to maintain a *quasi*-monopoly price. Don't you think that is a real danger?

A. I should think there is a danger. Suppose we are to raise cotton duty. You will raise it very much. It would necessarily follow that India would monopolise the cotton trade and shut it out for everybody else.

20788. *Q*. Is there any possibility of huge combinations like that? On the contrary there will be internal competition set up in India, won't there?

A. To a certain extent.

20789. *Q*. Take the cotton industry. There is a import duty of 11 per cent. Does it mean that the mills have combined together?

A. They have done so in the United States.

20790. *Q*. In the United States they might have done so. Probably your fear comes from the experience in the United States. But India is a very big country and there will probably be industries set up in different provinces and even if an industry is set up in one province there is so much internal competition that there is hardly any room for such danger.

A. In the case of cotton cloth India does not make anything like the quantity required for her. It makes only half the quantity.

20791. *Q*. I am not talking of the present protection. I think there is sufficient internal competition and there is likely to be much more internal competition in future when industries are set up, so much so that there is no danger of a combination like the one you speak of.

A. Yes.

20792. *Mr. Mant*:—*Q*. You say you object to the imposition of export duties on foodstuffs and I understand the agriculturists of your province would strongly object to it.

A. I think so, Sir. That would reduce the prices of the foodstuffs.

20793. *Q*. It would reduce the price to him as producer?

A. Yes.

20794. *Q*. Would not the same objection apply to other raw materials that the agriculturist produces? It has been suggested that export duties should be imposed for the purpose of cheapening raw materials to the manufacturers in the country, such as cotton for instance. Would not the agriculturist object to that?

A. I think so, Sir. If the duty is considerable, it certainly means reduction in the prices paid to the grower.

20795. *Q*. I see the export duties you recommend are on those articles which are of a manurial value. You mention oilcakes, bones and oil seeds. As regards oil seeds the Director of Industries here told us that 75 to 80 per cent. are crushed in this country.

A. At the present time that is correct. About $\frac{3}{4}$ is crushed and only $\frac{1}{4}$ is exported. Before the war even more was exported.

20796. *Q*. Is the decrease in exports due to the reduction in the area under oil seeds or to the increase in crushing in this country?

A. The exportable surplus is now less than it was before the war. The reason why less is exported now is that countries like France, Italy and Germany (Italy and France more especially) have gone to other countries for the supplies and they import from Argentine, Syria, Africa and China and the Straits Settlements. India is only one of the markets and is now a much less important market than it used to be.

20797. *Q* Then would not the putting of an export duty on oil seeds still further harm India in its competition with other markets?

A. What I would do is, I would put an export duty gradually. At first I would start with a very small duty say from Re. 1 a ton. I would also develop the technical side of the industry, in the standardisation of the oil-seeds and in making better transport facilities.

20798. *Q.* At present you say three-quarters of the oil seeds produced are crushed in the country. Is there a demand for all the cake produced?

A. At present, Sir, the quantity of cake produced is about 100,000 tons, I believe. I may be wrong. But in any case the quantity of cake produced at present is far in excess of the demand in the country. There is a big surplus for export.

20799. *Q.* You suggest an export duty on oil seeds. Won't that increase the surplus of oil-cakes for export?

A. I think so. If you do gradually and at the same time utilise the export duty in creating a demand for the cake then you would get far more than you use in the country.

20800. *Q.* How would you utilise it?

A. In carrying propaganda work and getting the people use the cake for cattle food and for manurial purposes.

20801. *Q.* Would it not be advisable first of all, by propaganda or any other means that you think suitable to encourage the people to use the cakes for such purposes? I suggest that this should come first.

A. On the other hand if you start with a low duty you raise money to carry on this propaganda.

20802. *Q.* Your object in proposing the duty is to get money for propaganda?

A. That is the main object, just as you put a cess on cotton so as to raise money for the cotton in the country.

20803. *Q.* A cess of that kind is a very small matter as compared with the export duty that has been suggested?

A. I shall start with a low duty and gradually raise it. Even at Re. 1, it works out to 5 lakhs a year on the oil seeds that are exported at present.

20804. *Mr. Rhodes*:—*Q.* Do you find in the Central Provinces that land supports as many people as it conveniently can?

A. Well the pressure of the people on land in the Central Provinces is less than in any other part of India.

20805. *Q.* Will there be people enough to cultivate land if they are drawn away for industrial purposes?

A. Undoubtedly. The population per square mile is three to four hundred. So there is a reasonable population.

20806. *Q.* Much greater than the rest of India?

A. Yes, much greater.

20807. *Q.* With reference to the question of foodstuffs, I want to take you back 200 years. In those days when there was famine there was no means by which the surplus food from one part of the country could be taken to another part.

A. Yes, I think they suffered very much more in those days from famine than now.

20808. *Q.* The result was that there was prosperity alternating with serious famines.

A. Yes.

20809. *Q.* Those days of prosperity are not likely now that the whole country has been opened?

A. Yes.

20810. *Mr. T. V. Seshagiri Ayyar.*—When you prefer direct taxation I don't think that you suggest that there should be an increase in land revenue.

A. No. I would raise the income tax.

20812. *Q.* You must know that at present the land is heavily taxed and it cannot be taxed further?

A. I do not mean land taxation.

20812. *Q.* You say that the hand-loom industry should be encouraged?

A. I think it should be encouraged as it affords labour to a certain number of people when they have nothing else to do.

20813. *Q.* Supposing there is an excise duty of 3½ per cent. on textile industry and there is a protective duty of 11 per cent. If that duty has the effect of stimulating and helping the hand-loom industry you might do away with the 3½ per cent. excise duty on the power-loom industry?

A. I think I would levy it because mills are making such enormous profits that it seems they can afford to pay it.

20814. *Q.* If it has indirectly the effect of helping the hand-loom industry would you retain it?

A. I don't quite catch your meaning.

20815. *Q.* If there is an excise duty of 3½ per cent. and a 11 per cent. tariff duty, there is thus a margin of 7½ per cent. protection to the power-loom industry. The existence of the 3½ per cent. excise duty has this advantage, that it protects the handloom industry to some extent. Under those circumstances would you advocate the retention of the 3½ per cent. excise duty?

A. Yes, I think so.

20816. *Mr. Coyajee.*—*Q.* In recent years there has been a rise in the agricultural wages of your city?

A. Considerable.

20817. *Q.* Is that rise proportionate to the general rise in prices?

A. I think so, I think we used to pay our men in the farms sixteen years ago about Rs. 7, now we pay about Rs. 15. The wages have more than doubled.

20818. *Q.* The prices have in certain cases more than double?

A. I do not know whether the price of foodstuffs has more than doubled.

20819. *Q.* What is the cause of the rise in agricultural wages?

A. It is a question of supply and demand, I think.

20820. *Q.* That is a very common explanation. Is it due to starting of industries?

A. To a certain extent cotton mills have taken away a good many men from land. Manganese has to a certain extent taken away the men. And then the country is being developed by Government and there are many constructive irrigation works and a fairly large number of men have been employed in carrying out these works.

20821. *Q.* Has there been on your side any complaint as we have elsewhere of paucity of labour?

A. In Berar there is paucity of labour; in the harvest season so that people go from native states in fairly large numbers and for certain number of weeks. But generally the local labour is sufficient to deal with the problem.

20822. *Q.* Do you at all connect this paucity of labour with the industrial development? I mean does the diversion of agricultural labour to industries cause this paucity?

A. To a certain extent the number of ginning factories have taken away some of these men and the cotton mills are also taking some men from the land.

20823. *Q.* Does the agricultural population consume imported goods to any large extent and if so what kinds of goods to a tangible extent?

A. Do you mean buy them? Well, they use a good deal of cloth that is made in Manchester.

20824. *Q.* Do they use it in the Central Provinces?

A. Yes, the sons of landowners and school masters use them. Even the poorest coolies buy German made articles such as cheap bangles and certain kinds of ornaments, matches, kerosine oil. They use sewing machines; gramophones are a fairly common thing in the villages.

20825. *Q.* Have you ever prepared or have you got materials for preparing an agriculturist's family budget showing the proportion of his income spent upon imported articles.

A. We have not done that, but we are making a kind of economic survey of certain villages. We are just taking up that work in hand.

The Commission has been often seeking, for some exact information as to the percentage of the agriculturist's income that is spent on imported goods. If, Mr. President, I may have your permission, I will ask the witness to send the Commission a copy of the budget he is preparing.

20826. *President*:—Will you take the agricultural landowner or even the coolies?

A. We will take three classes of people, the richest agricultural landowner, a fairly poor landowner and the agricultural labourer. The budget will also show how much he spends a year on imported goods. It would include not only foodstuffs.

20827. *President*:—We should like to have a copy of your compilation.

A. Very well.

20828. *Sir Montague Webb.*—*Q.* In answer to Question No. 33, you have expressed an opinion against an export duty on foodstuffs which would be against the interests of the agriculturists; and yet two paragraphs above you say "it may be used, too, however, to prevent materials going out of the country which is badly wanted." How do you reconcile these two statements?

A. In one case I mention an export duty on oil seeds and oil-cakes, bone meals and so on, I want to keep them within the country because they are of manurial value. In the case of wheat and by-products these are of no very great importance.

20829. *Q.* You don't think that you would reduce the production of oil seeds by putting on an export duty and that the land would be diverted to the cultivation of some other crop.

A. Certainly it would have that effect if you had a big duty. I am supporting a small one by about a rupee per

ton and utilising that in stimulating manuring with bone manure and oil-cakes and so on.

20830. *Q.* Your object is really to retain the manure in the country.

A. Yes.

20831. *Q.* Do you think that the mere imposition of an export duty would persuade the cultivator to make use of bone manure? Is it not rather a matter of education and many other considerations than price?

A. I say that till you get the money you cannot educate. We have not got money for carrying on the propaganda work to get the people to do that and to organise co-operative credit societies.

20832. *Q.* What you are after is money rather than export duty?

A. Yes. Raise the money and gradually increase the duty so that that the tendency would be for more and more of it being used in the country. In the first place create a demand for it.

20833. *Mr. Narottam Morarji.*—*Q.* Do you think that there is sufficient scope for fruit canning industry?

A. I am afraid that I do not know the conditions in other parts of India but I should think that there is where fruit is grown, I mean in places like Mussoorie.

20834. *Q.* It is done in Kulu valley and Kashmir.

A. It is being done up at Quetta also, by Mr. and Mrs. Howard.

20835. *Q.* That must be on a very small scale.

A. Yes.

20836. *Q.* If somebody wanted protection, would you give?

A. I would be inclined to give a certain amount of assistance for a limited number of years, say, 5 or 10 years and then if the industry was able to stand on its own legs good and well: if it was not, I would withdraw the duty in any case.

20837. *Sir Edgar Holberton.*—*Q.* Did I understand you to say that you had been in the Central Provinces for 12 years?

A. For 16 years.

20838. *Q.* Always engaged in agriculture?

A. Yes.

20839. *Q.* Have you seen any scientific improvement in the process?

A. Oh yes. We have introduced for instance cotton, of which we gave out the seeds. In a good year about 300,000 acres are under cotton.

20840. *Q.* Is it the better class cotton?

A. It is not long stapled. Its yield is heavy and it is better than any other variety.

20841. *Q.* It is the short stapled cotton?

A. Yes.

20842. *Q.* Have you found that the position of the agricultural people of the Central Provinces has improved or gone back in these 16 years?

A. I think that on the whole the condition is improving.

20843. *Q.* They certainly handle more money now-a-days?

A. They handle and certainly buy far more implements than they used to do and they seem to have more money to spend.

20844. *Q.* Then you think that on the whole they are better off?

A. I think so.

20845. *Q.* Do you find any considerable portion of your population migrating to mills, etc.?

A. I would not say a considerable portion but a certain number do go to work in the different plantations, mostly from Chattisgarh and a certain number to work in the mills.

20846. *Q.* Have you got mills also?

A. We have I believe altogether 7 mills.

20847. *Q.* On the whole the condition of the people has improved in your time?

A. Well, in my opinion it has.

20848. *Q.* Well, your opinion is worth having. You have lived there for 16 years and have been engaged on the same work. You say in answer to question No. 20 that the greater part of the import duty is passed on to the consumer. Now have you found any difference in the price of materials as a result of the 11 per cent. duty?

A. I have merely made that statement as a general principle more or less.

20849. *Q.* You have not really studied the matter?

A. I have not.

Supplement to Witness No. 130.

From D. CLOUSTON, Esq., M.A., D.Sc., C.I.E., Director of Agriculture, Central Provinces, to the Chairman, Indian Fiscal Commission, Simla, No. C-24, dated Camp Pachmarhi, the 23rd April 1922.

20849A. I am sending you herewith a family budget for (1) a substantial landowner, (2) a tenant farmer and (3) a labourer which shows approximately how much is spent by each family in a year on (*a*) necessaries manufactured or produced in India and (*b*) necessaries imported.

Estimated Family Budget for (1) Malguzars, (2) Cultivators, (3) Labourers, in Chhattisgarh Division.

(1) MALGUZARS (FAMILY OF 12 PERSONS).

(*a*) *Necessities manufactured or produced in India*:—

	Rs.		Rs. per annum
Food—			
(rice, pulse, vegetables, ghi, oil, milk, at Rs. 180 per mensem.)*			2,160*
Clothing—			
Dhoties	120		
Coats	30		
Shirts	12	per annum	180
Pagries	12		
Topies	6		
Sundries—			
Salt	12		
Sugar	12		
Gur	50		
Turmeric	5	per annum	160
Spices	25		
Kerosene	6		
Utensils	50		
Total annual expenditure on necessities produced or manufactured in India			2,500

(*b*) *Luxuries manufactured or produced in India*:—

	Rs.
Kosa	80
Shoes	15
Gold and Silver ornaments	100
Cheap ornaments	20
Tobacco	20
Sweets and Cocoanuts	15
Total for necessities and luxuries produced or manufactured in India	2,750

(*c*) *Imported necessities and luxuries*—

	Rs.
Cotton goods	100
Topies	12
Beads and Bangles	10
Lamps and lanterns	10
Needles, threads, buttons, etc.	3
TOTAL	135
Total yearly Budget	2,88,500

Percentage of imported articles in total Budget, about 5 per cent.

(2) CULTIVATORS. (FAMILY OF 12 PERSONS).

(a) *Food*—

	Rs.
(rice, pulse, vegetables, etc., at Rs. 72 per mensem.)	864

Clothing—

	Rs.		Rs.
Dhoties	100	per annum	121
Coats	15		
Shirts	6		

Sundries—

	Rs.		Rs.
Salt	12	per annum	70
Sugar	5		
Gur	20		
Spices	5		
Turmeric	5		
Kerosene	3		
Utensils	20		

	Rs.
TOTAL	1,055

(b) *Luxuries manufactured or produced in India*

	Rs.
Kosa	40
Gold and Silver ornaments	50
Cheap ornaments	30
Tobacco	20
Shoes	15
Cocoanuts and sweets	5
TOTAL	160
Total for necessities and luxuries produced in India	1,215
Cloth goods, pagries, etc.	55
Total yearly Budget	1,270

Percentage of imported articles in total Budget 4½ per cent.

(3) LABOURERS (4 PERSONS IN FAMILY).

Average earnings annas 7 per day.

Necessities produced in India.

	Rs. per annum.
Food	140
Clothing	17
Ornaments	3
TOTAL	160
Imported articles	*Nil.*

Witness No. 131. :

Copy of a letter from the Chairman, The Japan Cotton Spinners' Association, Osaka, Japan, dated the 30th December 1921, to H. G. Haig, Esq., I.C.S., Secretary of Indian Fiscal Commission.

20850. Herewith we humbly submit for your respectful consideration a statement respecting the industrial and commercial conditions of Japan with special reference to the cotton industry, in the hope that it may be of service to you in arriving at a right solution of the tariff policy of India that is pregnant with very far-reaching consequences.

20851. In view of the serious effect that the tariff changes may have on the trade between India and Japan, we, collectively as large customers of Indian raw cotton as well as suppliers of cotton manufactures, think it proper to make a clear statement, when the Fiscal Commission is now conducting an exhaustive investigation. If our statement receives your kind perusal and the facts there presented be taken up as the basis on which you will found your decisions, we shall indeed feel very much gratified.

20852. We regret that exaggerated reports are circulated in the magazines and newspapers concerning "Japanese competition," and still more regrettable is the wide prevalence of the unfounded belief that the Japanese cotton industry is receiving protection from the government. If the tariff policy of India should be guided in its decision by such an unfounded allegation, it will certainly mislead the industrial policy of India to the detriment of the true interests of the country, and cause injusice to Japan that has thus far kept up very intimate and cordial relations with India. In the attached statement we tried to explain the points that seemed to us to have been the sources of the prevailing misunderstanding.

20853. Sir, if the customs duty of India is to be raised from financial necessity, endorsed by the public opinion of India, we have, of course, nothing to say, but to introduce the system of preferential tariff clearly violates the principle of "fair trade," and gives the most unfair discrimination to the countries excluded from the preference. The statement herewith attached, we hope, will make clear that Japan has no reason to receive such unfair discrimination.

20854. Entreating you again that you may honour us by giving your due consideration to our statement in arriving at the decisions of the Fiscal Commission.

Written statement of the Japan Cotton Spinners' Association.

Statement by the Japan Cotton Spinners' Association regarding Japanese Competition and Protection.

20855. We learn that the Fiscal Commission is now making an investigation to examine with reference to all the interests concerned the tariff policy of the Government of India, including the question of the desirability of adopting the principle of Imperial preference. The decisions of the problem will greatly affect not only the welfare of the people as well as the industrial prosperity of India, but also may bring about a decline of foreign trade of the country and may cause a change in the attitude of the foreign countries that are now contemplating tariff revisions. In view of the far-reaching effect of the problem it is proper that an exhaustive investigation be made with reference to the views and opinions of the various classes in all the districts of India. At the same time we sincerely desire that similar consideration be given to the circumstances of a foreign country that has very close trade relations with India.

20856. Intentionally or unintentionally, errors and exaggerated reports are circulated through the columns of magazines and newspapers, and if the tariff policy of India is to be influenced in its decision by such alleged "facts," it will produce the regrettable result of obstructing the smooth exchange of commodities between India and Japan.

20857. The Japan Cotton Spinners' Association, having great interests in the change in the Indian tariff policy, as a body of great consumers of Indian raw cotton as well as the suppliers of cotton manufactures to India humbly presents the following statement.

20858. We need not go into details as to how the trade between India and Japan increased remarkably during the war. According to the returns of the Department of Statistics of India, the imports from Japan into India rose from the pre-war average of 2 per cent. of the total import trade of India to 9 per cent. in 1919-20; and the exports from India to Japan from the pre-war average of 7 per cent. to 14 per cent. in the

same period. The figures plainly demonstrate that the trade between the two countries has increased both in its exports and imports, and that Japan now occupies an important position in the trade of India, and is a large customer of that country, being a great consumer of raw cotton.

20859. Too much has been said, and too much fear is entertained about "Japanese competition." We think, however, the truth is being very much exaggerated. It is true that the Japanese imports have increased during the war, but since the close of the war the decrease has been considerable. In 1919-20 her imports to India were valued at £19,153,000 showing a decrease of £3,196,000 from that of the preceding year. Thus the Japanese import trade has undergone a great decline, and as the Review of the Trade of India in 1919-20 pointed out, "Japan has shown herself unable to withstand the pressure of unhampered British competition in cotton manufactures and has lost almost all the ground which she had gained during the war. Her position is, however, still secure in glass and glassware, matches and silk manufactures, though European competition may revive in all these article." And there is reason to believe that in the period 1920-21 and thereafter there will be still more decline in Japanese imports.

20860. Taking the cotton manufactures, the most important item of imports from Japan, we see there was also a remarkable decrease of Rs. 11 crores in 1919-20, the total imports being valued at nearly Rs. 6 crores. On the other hand, the British imports which experienced some setback during the war, revived with the Armistice and now stand far beyond the possibility of any idea of competition with Japanese goods. The "Manchester Guardian Commercial" gives the following comparison of the imported yardage of cotton piece-goods from the two countries:—(1,000 yards).

	United Kingdom.		Japan.	
	1919.	1920.	1919.	1920.
Grey .	393,337	467,909	126,656	120,383
Bleached .	238,940	457,463	4,945	4,477
Coloured .	128,013	447,302	13,765	18,328
TOTAL .	760,290	1,372,674	145,366	143,188

"These figures," the paper remarks, "give us the true measure of Japanese competition, of which some timid people have made so much. In 1920 piece-goods from the United Kingdom increased by 612,384,000 yards, and exceeded those from Japan by 1,229,486,000 yards, the latter actually showing a decline of two million yards."

20861. Nor seem the Indian cotton mills to have suffered from foreign competition. As to cotton yarn, as Mr. C. A. Innes pointed out, the annual Indian production has never been below 615,000,000 pounds since 1912-13, and in the last year the production rose to 722,000,000 pounds. On the other hand the import of cotton yarn was not more than 50,000,000 pounds in the former period, the amount of imports in 1919-20 being only 15,000,000 pounds. Thus against the annual home production of 600,000,000 pounds there is only an annual import of 50,000,000 pounds. This will prove how insignificant the foreign competition is?

20862. Even in the cotton piece-goods, the amount produced in Indian mills is making a large increase over that of the pre-war production; and need not have any fear of Japanese competition, as the following statistics for 1920-21 at our disposal show:—(1,000 yards).

Total Imports.	Imports from United Kingdom.	Imports from Japan.	Production in India.
1,491,248	1,277,596	170,322	1,580,849

20863. Will not the increased tariff duty on cotton piece-goods under such circumstances, produce the result of only increasing the burden on the general consumers in India? Will not the tariff duty imposed on cotton yarn obstruct the development of Indian domestic weaving industry? Will not the exclusion of foreign cotton manufactures from India, if not call out retaliatory measures on the part of the foreign countries, reduce the amount of consumption of raw cotton in these foreign countries, and react in the decline of Indian export trade and the decrease of the purchasing powers of the cotton producers of India?

20864. Some speak of the protective policy of the Japanese Government, and in the Indian and British magazines and newspapers it is often alleged that the Japanese goods secured new markets through its strong protection. But so far as the cotton industry is concerned, its growth has been entirely due to the private initiative and co-operative endeavour of the spinners in Japan, and the Government protection has nothing to do with the present development. As we regret that there is a surprising misunderstanding on this point we would explain briefly on this matter.

20865. "The Japan Cotton Spinners' Association" is a private institution of the mill-owners and cotton merchants, organized in 1882 for the purpose of developing the cotton industry by mutual aid and protection. The organisation went through several changes but it always retained its purpose of improving the technical skill and the financial status of the industry. It was in no sense connected with the Government nor received any protection from the government.

20866. No statement is further from the truth than the statement that the Japanese spinners are receiving government bounty. Some time ago, the Association granted allowance on some kinds of cotton yarns and goods exported. But this was entirely different in nature from the bounty that the government of a protectionist country sometimes grants on some goods to encourage its exportation. The allowance in question was nothing more than a means of mutual aid instituted among the spinners themselves with their own funds to help themselves over the difficulty caused by the industrial depression. It was granted only intermittently, and even in this case, the system of allowance was maintained only while it was absolutely necessary for the self preservation of the industry, and was discontinued some years ago. It is true that the Association asked for government bounty in 1898 for the exported cotton manufactures, but the government simply declined. The situation was as follows:—There was a financial crisis in Shanghai in the preceding year which paralyzed the whole business, and there was practically no demand for Japanese cotton yarn. On the other hand, Japan had just emerged from a victorious war which gave an impetus to various industries and especially to cotton industry. And when the crisis came the spinners found themselves in great difficulty with the undemanded stocks produced in the improved and expanded mills. Hereupon the spinners consulted and discussed to give allowance to encourage export, but could not come to an agreement. As a last means, the Association asked for government bounty, which the authorities did not grant.

20867. In the Spring of 1902 the price of silver began to fall, and the rate of exchange on China rose enormously which practically stopped the trade with China. This again placed the spinners in a very critical situation. The spinners therefore reduced the working-hours on the one hand, and on the other, succeeded this time in persuading the members of the Association to adopt the system of granting allowance on exported goods. This measure was absolutely necessary at that time to help us over the most hazardous situation. Thus only during the two months of September and October 1902, an allowance of Yen 300 per bale of the yarn under 20 counts, and Yen 1·10 per 300 pounds of certain kinds of cotton piece-goods was granted, which was defrayed from the rebates on the freight on the raw cotton from Bombay. Of this latter phase we shall have occasion to speak anon.

20868. Later in 1908, when business depression set in as reaction of the "post-war business boom," that followed the conclusion of the Russo-Japanese War, the Association granted allowance to cotton manufactures exported to China from March to December 1908 in the form of coupon, while an allowance of Yen 0·75 per bale

was given on the goods exported to other countries beginning from May 1908. Again from January 1909 to March 1912 and allowance of Yen 1·50 per bale of cotton yarn under 20 counts was granted. On the other kinds of yarns the allowance varied from Yen 2·00 to Yen 5·00 according to the requirements. As to the cotton piece-goods, and allowance of Yen 1·00 per bale of cloth of more than 28 inches width and Yen 0·75 per bale of narrower cloth was granted from October 1910 to March 1912. Thus the history of allowance had come to an end before the Great War.

20869. As the story will show, the system of allowance was instituted with no outside help or encouragement; it is purely and simply a means of mutual aid among the mill-owners to secure themselves against business emergency. The mill-owners have all to contribute to the Allowance Fund and the interests of mill-owners are not always identical; for some mills chiefly produced the goods meant for exportation, while other put more emphasis on the production of the goods consumed in the home markets. It was natural that the granting of allowance could not be easily resorted to. And even when allowance was decided to be given, it has never exceeded two per cent. of the value of the goods, and never outlived the strictly necessary duration of preserving the life of the industry.

20870. Some may look with suspicion at the rebates on the freight of raw cotton shipped from Bombay that the Association gives to its members. But there is no government protection or any trick in it. Our members make contract through this Association with the steamship companies for the conveyance of raw cotton bought in India. As the result of large shipments the Association get rebates from the steamship companies. The Association in turn distributes the rebates among its members according to the quantity of cotton imported by them. Thus Indian cotton is imported to Japan so much cheaper, and accordingly increases the demands for Indian cotton, thus giving benefit to the Indian cotton growers as well as to the Japanese spinners. This system of rebates was inaugurated in the following manner. When the Japanese spinners tried to import raw cotton from Bombay, the oversea carriage of cargoes from Bombay was in the monopolist hands of the Peninsular and Oriental Steam Navigation Co. subsidized by British Government. The high rate of freight hampered not a little the possibility of using Bombay cotton in Japan. The endeavours of Viscount Shibusawa and the late Mr. J. N. Tate resulted in an Agreement between the Association and the Nippon Yusen Kaisha in 1893. By this agreement the latter opened a new line to Bombay to carry raw cotton at Rs. 13 per ton which was Rs. 4 cheaper than the current rate. In consideration thereof all the members of the Association bound themselves to use the N. Y. K. ships to carry all the raw cotton cargoes imported to Japan, and gave a further guarantee to pay freight for 50,000 bales of raw cotton a year at Rs. 13 per ton, even when the market rate fell below this point in consequence of competition. Apprehension was at first entertained as to the working of this Agreement by both parties, and the Agreement was made to continue only for the term of one year. But happily this Agreement proved to bring some profits to our members, and the N. Y. K. found also that it could make both ends meet. Later, however, when raw cotton had to be shipped from other Indian ports than Bombay, we found the necessity of making the Additional Agreement by which in 1894 Colombo and Tuticorin were added as the ports of shipment. In consequence, N. Y. K. sustained some loss, and showed an attitude of hesitation to continue the agreement. A petition was sent to the Japanese Government to grant subsidy. Though this petition was well taken up by the Government, and a bill providing subsidies to steamship lines was prepared for the Diet, the dissolution of the House prevented its passage. Meanwhile the N. Y. K. concluded an agreement with the P. & O. Co., the Société Nationale de Service Maritime and the Austrian Lloyd, to the effect that the cargoes of the members of the Association shipped according to the Agreement may be carried by the ships of these companies.

20871. The Agreement have since been revised, and there were changes in the steamship companies admitted into the "Conference," but on the whole the Agreement maintained its principal object. Thus it will be seen that this Agreement was concluded solely for the purpose of lowering the cost of Indian cotton used in Japan to the benefit of the Japanese spinners as well as of the Indian cotton growers. The Association's representative in Bombay who sees over the shipment of the cotton is stationed there only to see to it that a just and equitable allotment of the space be made among steamship companies and the shippers. No discrimination is intended against nationalities; all merchants and ships enjoy equal and just privileges.

20872. The Government subsidy to the Bombay line of N. Y. K. of which some reference was made, was at last given in 1896, as it was judged necessary in view of the difficult stations in which the Company was placed. It is not to be taken as an indirect protection given to the cotton goods exported from Japan; it was granted for the sole purpose of facilitating the communication between Japan and India. Moreover, this subsidy itself was stopped altogether in 1906.

It is also to be added that no preferential treatment in railway freight is given to the cotton yarn and goods of home production.

20873. Thus it will be seen that the Japanese cotton industry has received no government protection in the attempt of opening new markets abroad. The existence of the import duty on cotton manufactures in Japan might be taken as a kind of protection. Under the provisions of the Revised Treaty of 1866 Japanese customs duty was limited to 5 per cent. *ad valorem*. With this low import duty the Japanese cotton industry in its incipient stage could not have been protected at all against foreign goods. Moreover, at that time import duty was levied on raw cotton and export duty on cotton yarn. Thus the cost of production of cotton manufactures was forced up, and hampered to find markets abroad. It was only in 1894 that the export duty on cotton yarn was abolished, and it was two years later that the import duty on raw cotton was abolished. In 1897 when Japan for the first time promulgated the general tariff law, the import duty on cotton yarn was raised to 10 per cent. *ad valorem* and that on cotton piece-goods to 15 per cent. But on the British cotton yarn and goods the conventional tariff of about one half of the general tariff rates was applied and the other treaty powers enjoyed the same concession on account of the most favoured nations clause in their respective treaties with Japan. Accordingly the duties on cotton yarn and goods were not much higher than before. Again in 1906 the general tariff law was revised and the import duty on cotton yarn was raised to 20 per cent. *ad valorem* and that on cotton piece-goods to about 30 per cent. But conventional tariff was in existence again, and the duty on the former article was no more than 8 per cent. *ad valorem* and that on the latter goods did not exceed 10 per cent. In 1911 when the general tariff law was revised the duty on cotton yarn was reduced from 20 to 10 per cent. *ad valorem* and that on cotton goods on the whole from 30 to 20 per cent. But on the cotton goods concession was again given to the United Kingdom in the form of conventional tariff which made the duties on certain kinds of cotton goods about 15 per cent. *ad valorem*. And it needs not to add that most other treaty Powers enjoyed the same privilege.

20874. These facts will make it very plain that the cotton industry in Japan has received no such great government protection in the form of tariff as is generally supposed. On the contrary, in its earlier stages, it was rather handicapped by the import duty on raw material and the export duty on its manufactures. Moreover in 1919 to check the general tendency of rising prices at home, the government suspended levying the import duty on cotton yarn and goods, and until lately there were no duties on these goods.

20875. As Japan raises no raw cotton as is done in India, nor does she make spinning machines as is done in Great Britain, she may naturally have resorted to the heavy import duties on foreign cotton manufactures. On the contrary the growth on the cotton industry in Japan was, as may be seen from the foregoing facts entirely dependent of the tariff protection, and attained to what it is purely and simply by the progressive spirit of the people. The spinners of Japan do not think of depending on tariff protection, most of them being believers in the general reduction of tariff.

20876. In connection with the abolition of the import duty on raw cotton in Japan, we would like to add one word that the Association gave its best endeavour for its repeal, for nine years. In 1896 it was finally repealed and the inflow of the Indian cotton to Japan was greatly facilitated.

20877. Just one word about the condition of the spinning industry in Japan. The mill-owners of Japan have to depend on the raw material brought over from foreign countries, and they have to bear the extra expenses of freight and insurance, besides the risks of exchange. In addition to this, the increased wages and ever growing cost of management tend to enhance the cost of production surprisingly. And when legislation will be instituted according to the Recommendations of the First International Labour Conference in Washington, the cotton industry of Japan will be still further handicapped. On the other hand, when the cotton manufactures of Japan are exported to India, we have to bear the same additional expenses of freight and insurance together with the risk of fluctuating exchange. Moreover the increase of the import duty carried into effect in India this Spring has superadded a heavy burden on the already handicapped cotton industry of Japan. To raise, under such circumstances, the import duty on Japanese cotton goods still further is to deal a very severe blow on the industry.

20878. The policy of levying heavy duties on such goods as cotton mannfactures which will tend to enhance the prices of the necessaries of life may be said to be contrary to the welfare of the greatest portion of the people.

20879. We have, of course, nothing to say so far as the customs duties of India are to be raised from financial necessity endorsed by public opinion. But to introduce the system of preferential tariff clearly violates the principle of " fair trade," and may be said to make undue discrimination between the British Empire and other nationalities. It is injurious to the interests of these discriminated countries. Even if these countries will not resort to retaliatory measures, it will rouse the indignation of these countries. As was mentioned above, Japanese cotton indutry is already handicapped in many ways and is losing its market which it gained during the war. To give tariff concession to the British goods, under such circumstances, is to deal a fatal blow on the discriminated countries especially on Japan. And if the preference be given to British goods by raising the present general tariff still further, it would be to deal a double blow on the goods of the discriminated countries. It need not be mentioned that the interests of India will also be greatly affected by the adoption of the preferential tariff. It is true that the Japanese imports of the cotton manufactures are different in quality from the British and to that extent, the preference given to the British goods may not at once affect the Japanese goods. But at the same time it cannot be denied, that it will hamper the further development of the Japanese cotton industry.

20880. Finally if India is ever to levy an export duty on raw cotton that will surely deal a fatal blow to the industry of Japan. Indian cotton growers are also sure to suffer because the decrease of Japanese demand may cause the Indian farmers to bear the export duty themselves or they must be content with the decreased demand from Japan.

SUPPLEMENT TO BOMBAY NO. 35.

Copy of a letter from the Japanese Cotton Shippers' Association of Bombay, dated the 7th February 1922.

20881. We beg to refer you to our letter dated 8th November 1921. We find that the Japanese Cotton Spinners' Association have submitted to you a statement expressing their views regarding Japanese Competition and Protection in respect of the Indo-Japanese cotton and cotton manufactures trades. The views of the above Association happen to be identical with what this Association intended to place before your Commission, and we write this only to supplement the opinion expressed by the above Association in regard to the proposed export duty on Indian cotton.

20882. From our experience as shippers of large quantities of cotton from India, we are in a position to state that the price of cotton is a most delicate thing in the world's commerce and causes which may appear to be quite trifling give rise to the wildest fluctuations causing serious dislocations of trade to the great detriment of all concerned. Consequently, it is difficult to view with equanimity the consequences that may ensue from such an importane factor as the imposition of an export duty on cotton.

20883. As matters stand at present, American as well as Indian cotton is free from export duty and the world's traders in cotton base their calculations and determine the parity of the price of Indian cotton in accordance with the price of American cotton. If, therefore, an export duty is put on Indian cotton the parity could only be maintained by lowering its price in the world's market. This would certainly benefit the small number of cotton mill-owners in India, but the vast body of cotton cultivators will suffer immensely by such a step. We are of opinion that in the sense of democracy it is the interests of the large majority of agriculturists and ordinary people which should receive the best consideration of every government.

WITNESS NO. 131.

Oral evidence of Mr. Hara and Mr. Yamaji, representatives of the Japan Cotton Spinners Association, Osaka, Japan, examined at Bombay on the 28th February 1922. (The answers were given by Mr. Hara and where Mr. Yamaji answered his name is specially mentioned.)

20884. *President*:—*Q.* Gentlemen, you appear as representatives of the Cotton Spinners Association of Japan.

A. Yes.

20885. *Q.* In the very first paragraph of your written statement you indicate the possibility of a change in the attitude of the foreign countries that are now contemplating tariff revisions. Will you please explain what you mean by that? Do you mean to say that if India regulates her own fiscal policy as it suits her best, she has to face retaliation by foreign countries.

A. Not at present so far as I can understand.

20886. *Q.* You speak about a change in the attitude of foreign countries that are contemplating tariff revisions. I should like you to explain what you mean by that.

A. Being not the representative of the Japanese Government, I cannot give any definite information as to what the Government's attitude would be.

20887. *Q.* We know that you have not got the power to speak on behalf of Government. We would like to know what you had in your mind when you wrote that.

A. We simply think that if India changes her policy or increases her tariff beyond the present level, it would be prejudicial to our trade.

20888. *Q.* This a different matter.

A. Will you excuse us if we speak frankly?

20889. *Q.* We want you to.

A. Well, besides this there are some other points that I have to explain. This statement is not based on our professional opinion but this is written by our home people and of course we considered all those points. But it is beyond our knowledge and beyond our comprehension at present what the foreign countries will do.

20890. *Q.* I don't ask you about what the foreign countries will do, but my question is what is likely to happen?

A. As you know we have a treaty with Great Britain and we have also a few lines treaty regarding the commerce between India and Japan. If any change in the tariff policy of India were to take place, Japan also might take some retaliatory measures, though I don't think she would.

20891. *Q.* Do you think that Japan would retaliate?
A. I don't think that she would.

20892. *Q.* I shall ask you a question which arises out of your reply. Did not Japan determine her fiscal policy as it suited her interests and her own people?
A. No.

20893. *Q.* She adopted a policy which suited other countries at the expense of her own interests?
A. Quite so. I think that you are perfectly well aware that 30 or 40 years ago when our country was quite young, she was open to the whole world and she was powerless properly speaking. Her legs were drawn in different directions and she could not frame her national tariff independently. She had to consult with friendly powers in this, that and other directions. As you know, we had a very hard struggle to undergo before she was able to revise her tariff not according to her own free will but nearly that. Most of our tariff items are according to our national tariff and our national convenience and we expect India to do the same thing.

20894. *Q.* That is to say, Japan not having adequate military and naval power to withstand any invasion which European countries might bring about yielded in her tariff policy to the superior force.
A. Yes.

20895. *Q.* And you think that India being equally powerless from a military and naval point of view should yield her interests to other powers who will be able to force their policy upon India.
A. I do not mean that.

20896. *Q.* What is the other conclusion to be drawn from the statement which you have made?
A. It is a very hard question, gentlemen. So long as India is quite strong enough and has got power enough to proceed on her own free will, she should do so and no other country would prevent that.

20897. *Q.* Japan had to meet with these difficulties because she was not militarily strong. But she regulated her fiscal policy irrespective of the views of other countries when she became militarily strong.
A. Well, to some extent it is good to keep up friendly connections with other powers and to prevent other countries to put heavy taxes on her goods.

20898. *Q.* That is to say, she regulates her tariff as it suits her best.
A. Yes.

20899. *Q.* She is not restrained in her fiscal policy by any idea of being militarily powerless.
A. First of all this statement is not made with any motive to interfere with your procedure of considering the Indian tariff policy, but this simply means to disclose to you the difficulty as to where you stand and at the same time to come to a thorough understanding.

20900. *Q.* Then your conclusions come to this, that India should subordinate her own views in regard to what is best in her interests from the tariff point of view for considerations of retaliation by other countries.
A. It is very difficult to reply to this.

20901. *Q.* There is the statement in your written evidence: otherwise I would not have taken the trouble of asking you. Then in the 3rd paragraph of your written statement you say, "The Japan Cotton Spinners' Association having great interests in the change in the Indian tariff policy as a body of great consumers of Indian raw cotton as well as the suppliers of cotton manufactures to India humbly presents the following statement." You want India to take into consideration the fact that Japan buys large quantities of Indian raw cotton and supplies cotton manufactures to India.
A. Yes.

20902. *Q.* Do you think that it is a natural state of things that one country which is situated so far away should take away your raw materials and supply us with manufactured goods.
A. Not always.

20903. *Q.* Is it natural? You don't say that it is.
A. Well, it depends upon the price. Economy knows no boundary. We take your cotton, because we have a big market in China.

20904. *Q.* Japan supplies to India. I am not dealing with any other country.
A. We don't deny that we are supplying India with our manufactured goods.

20905. *Q.* You want us to take that into consideration in regulating our fiscal policy.
A. Yes.

20906. *Q.* In this connexion I want to ask you a few questions. Does Japan grow any cotton?
A. No.

20907. *Q.* But Japan has a market for piecegoods for her own people.
A. Quite so.

20908. *Q.* Did not Japan adopt a tariff policy suitable to secure her own supplies of piecegoods by her own factories?
A. I should answer the question in the affirmative. The reason is that there are still in existence some duties on foreign piecegoods which you might call protective.

20909. *Q.* I am not dealing with that. Japan adopted a tariff policy with the set object of supplying her own people with their requirements of piecegoods from factories established in Japan. Did she not do that?
A. Yes.

20910. *Q.* She did not grow any cotton and notwithstanding that she decided to lay down a fiscal policy by means of which she obtained raw materials from other countries and established factories for the purpose of supplying the needs of her people?
A. Yes.

20911. *Q.* Now India grows a large quantity of cotton.
A. Yes.

20912. *Q.* India has got a surplus of cotton which she exports.
A. Quite.

20913. *Q.* India also needs for her own people cotton clothing.
A. Yes.

20914. *Q.* Do you think that it would be wrong if India laid down a fiscal policy following the example of Japan with better advantages to supply the entire needs of the people of India in the matter of piecegoods manufactured by herself?
A. No.

20915. *Q.* You would not have any objection to that.
A. Not at all.

20916. *Q.* Your being a supplier of piecegoods would not be a matter then for consideration in India regulating her own fiscal policy.

A. Well, frankly speaking we are ourselves protectionists to a certain extent and we feel strongly that so long as the industry is not able to stand on its own legs, some protection is inevitable. It was so with Japan and will be with Japan I should think for some time to come and why not with India? Although there are a good many points which are the same in the case of both the countries, yet the cases are not similar to each other. For instance, the situation of the country is one; the climatic condition is another; and the distribution of population is also another. Taking all these points together I should think that protection is necessary in the case of Japan and India too, but with one singular exception, that is, that the weaving and spinning industry of Japan needs very small or almost no protection. It is this fact that I wish to emphasise.

20917. *Q.* You have yourself stated in your written evidence that Japan increased her import duty on manufactured piecegoods up to 30 per cent. at one time.
A. Yes.

20918. *Q.* To protect her own industries?
A. Yes.

20919. *Q.* You should not have any objection if India followed the same policy.
A. No.

20920. *Q.* In your statement after giving certain statistics you point out how insignificant the foreign competition is which India has to meet not only in her own borders but in outside countries too. Is it not a fact that India exported a few years ago 62,000 bales of cotton yarn to Japan?
A. I cannot recollect how many years ago.

20921. *Q.* In 1889 we shipped 62,000 bales of Indian yarn to Japan.
A. Our weaving industry was then at its very infancy.

20922. *Q.* What I was going to ask you is that you have so regulated your fiscal policy and established your cotton industry on such a basis that instead of importing 62,000 bales of yarn, you have ceased to import a single bale. You have kept the Indian yarn out of your market.
A. At that time the import duty was only 5 per cent.

20923. *Q.* You admit that in the first instance you kept out Indian manufactured goods, *i.e.*, yarn, from the Japanese

market. I am not saying that it is wrong. It is perfectly legitimate.

A. I know

20924. *Q.* Why should you object if India takes a leaf out of your book, that is what I want to know?

A. Abstractly speaking, we do not wish to shut out anything. It is all according to the competition.

20925. *Q.* It is pertectly legitimate. It suited you and you did it. You could not possibly have any objection if by some fiscal measures similar to those adopted by Japan India tried to supply her own needs of manufactured goods out of her own factories.

A. This is the Fiscal Commission of India. Of course you are looking to the interests of the whole of India. You know, that price is also a factor. Under free competition the price will never be high, but if you allow the Indian mills to have the monopoly of the market, the price will not be low. Of course we don't wish that you should adopt such a policy as that.

20926. *Q.* Will you please tell me what the effect of your 30 per cent. duty on imported goods was on the consumers in Japan? Did it not raise the price?

A. Do you mean the present tariff rates?

20927. *Q.* No, at one time you raised your duty according to your statement to 30 per cent.

A. That is right.

20928. *Q.* Was not the Japanese consumer obliged to pay higher prices in consequence of that duty?

A. Economically speaking you are quite right. The class of people who had a liking for the imported goods had to pay more money for them, but so long as our industry is growing up and can supply the people with the same quality of cloth and yarn, it would not hurt the people.

20929. *Q.* Then you accepted that the consumers were obliged to pay higher prices in order to establish the industry. The interests of the consumers were subordinated temprorarily to the interests of the nation in the manufacture of piecegoods.

A. Yes.

20930. *Q.* The result has been that you have lowered the duty from 30 per cent. to something very much less as soon as the industry is firmly established, and now the consumer is not penalised to the same extent as he was at one time.

A. Quite so.

20931. *Q.* If a similar policy was adopted in India, the consumer would suffer only temporarily.

A. That is so.

20932. *Q.* And therefore if there is any temporary loss India should face it as Japan did.

A. I quite agree to that.

20933. *Q.* You have again referred to retaliatory measures. As I have already asked you questions on that I will not trouble you again. "Will not the exclusion of foreign cotton manufactures from India, if not call out retaliatory measures on the part of the foreign countries, reduce the amount of consumption of raw cotton in these foreign countries, and react in the decline of Indian export trade and the decrease of the purchasing powers of the cotton producers of India?" All this is not consistent with the replies you have given now.

A. If India raised the duty still higher, it would mean that the export from Japan to India would decrease and so much the demand for Indian cotton would be less. As it is, we are exporting to India our cotton manufactures. If you shut out our goods, as a natural consequence it will reduce our consumption of Indian cotton in proportion.

20934. *Q.* You say that if by means of tariff walls India kept out a certain quantity of Japanese cloth, to that extent Japan would buy less cotton from India, and that the price of raw cotton in India would go down and the cultivators would suffer. That is your argument?

A. Yes.

20935. *Q.* I am asking you on this statement, whether the interests of Indian cultivators of cotton would not be safeguarded if the surplus cotton in India, instead of being exported to Japan, is manufactured into piecegoods and yarn in India itself? Then instead of your buying the cotton, the Indian manufacturers will buy it from the cultivators.

A. I should not think that India itself can consume the surplus cotton that she exports.

20936. *Q.* And then the agriculturists would not suffer. The difference will be that instead of Japanese buyers there will be Indian buyers.

A. That point you know better.

20937. *Q.* You say: "Some may look with suspicion at the rebates on the freight of raw cotton shipped from Bombay that the Association gives to its members. But there is no government protection or any trick in it. Our members make contract through this Association with the steamship companies for the conveyance of raw cotton bought in India. As a result of large shipments the Association gets rebates from the steamship companies." May I ask you one question in regard to this? What is the current rate of freight for raw cotton from Bombay to Japan?

A. 23 yen per ton of 40 cubic ft., but there is a rebate of 10 yen from the shipping company to the Japan Cotton Spinners' Association.

20938. *Q.* So that you pay 13 yen for your freight from Bombay to Japan?

A. Yes.

20939. *Q.* How much is it in rupees according to the present rate of exchange?

A. About Rs. 17.

20940. *Q.* What is the present rate of freight for cotton from Calcutta to Japan?

A. 3 yen, that is under Rs. 5.

20941. *Q.* The freight for raw cotton from Bombay to Japan is Rs. 17 and from Calcutta to Japan is Rs. 5 per ton. How do you account for that difference?

A. In Calcutta there is competition between the shipping companies, and therefore the freight is low.

20942. *Q.* May I know what is the freight from Bombay to Hongkong for Indian yarn?

A. I think Rs. 30 per ton.

20943. *Q.* A ton contains 4 bales. By means of your shipping competition India is penalised in her competition with Japan in the Chinese yarn market to the extent of Rs. 3 or 4 per bale. You admit there is a substantial difference between the rate for raw cotton from Bombay to Japan and the rate for Indian yarn from Bombay to China?

A. You will understand that it is due to combination between our Association and the shipping companies.

20944. *Q.* By combinations or by certain actions of the Cotton Spinners' Association you have managed to compete with India in the Chinese market. China is a common market for Japanese and Indian yarn. India has got to pay Rs. 20 a ton for yarn shipped to Hongkong while Japan takes raw cotton to a longer distance at Rs. 17 per ton.

A. (*Mr. Yamaji*) But India does not pay freight on her raw materials. Japan must pay freight on her raw materials, including risk of exchange and insurance.

20945. *Q.* Risk of exchange is common to both.

A. We have to pay freight both ways: from India to Japan and from Japan to Hongkong or whatever the neutral market might be.

20946. *Q.* What is the freight from Japan to Hongkong?

A. (*Mr. Yamaji*) I do not know exactly. I think it is about 10 or 13 yen.

20947. *Q.* What rebate do you get?

A. There is no rebate; it is free competition.

20948. *Q.* That is about Rs. 17?

A. (*Mr. Yamaji*) Yes. The freight rate for yarn is very dear compared with that for raw cotton, because there is no special contract with the shipping companies.

20949. *Q.* The distance between Calcutta and Japan is greater than the distance between Japan and Hongkong.

A. There is a big competition, as you know, in Calcutta. There is a combination of shipping companies, such as the B. I. S. N. and N. Y. K. The O. S. K. refused to enter into that combination and there is a competition. The rate from Calcutta to Japan is under the cost of working.

20950. *Q.* Does it pay the shipping companies to carry goods from Bombay to Japan at Rs. 17? How do you explain that the rate from Japan to Hongkong, which is a smaller distance, is Rs. 17, but that the rate from Bombay to Japan is also the same?

A. The rate for raw cotton and the rate for yarn is always different. We do not ship yarn from India to Hongkong. We ship raw cotton from here to Japan to the value of 10 lakhs yen but we ship yarn from Japan to Hongkong to the value of only 3 or 4 lakhs.

20951. *Q.* As far as I remember the Indian shipment of yarn to China was never above 5 or 6 lakhs, so that they have taken away entirely our trade with China.

A. No.

20952. *Q.* You say, "The mill-owners of Japan have to depend on the raw material brought over from foreign countries, and they have to bear the extra expenses of freight and insurance, besides the risks of exchange. In

addition to this the increased wages and ever-growing cost of management tend to enhance the cost of production surprisingly." In spite of these factors you have been able successfully to compete with other countries and make the industry a success, have not you?

A. Yes, so far.

20953. *Q.* In spite of these disadvantages and drawbacks, how have you been able to do it? You have got, compensating this, fiscal autonomy and various other measures which enable you to counteract the disadvantages that you point out?

A. So far as I can say there is no protection. It is simply dependent upon the efforts of the mill people. That is the only thing.

20954. *Q.* What do you mean by the efforts of the mill people? I can quite understand every legitimate thing you may have done in the interest of your industry.

A. Frankly I can tell you that the Japanese mills are most of them making profits and paying dividends.

20955. *Q.* In spite of these hindrances? Then there must be some counteracting advantage.

A. There is no Government help. It is only skill, good management and minimum profit.

20956. *Sir Edgar Holberton.* *Q.* You have been careful to tell us that you do not come in any way as Governme it representatives but as representatives of the Cotton Spinners' Association. Could you tell me who are the Japan Cotton Spinners' Association?

A. In India or in Japan?

20957. *Q.* You said that you have received your papers from the home office. What do they represent in Japan?

A. They are a collective body of mill-owners. It is an organisation of mill-owners.

20958. *Q.* They are very much on the same lines as what is called in America a Trust?

A. It is not so.

20959. *Q.* Do they control the commercial dealings of each mill?

A. No. Each mill is working separately.

20960. *Q.* If they deal separately, if they are not a trust, how can they manage to make rebates on freight?

A. (*Mr Yamaji*). There is some committee representing the Cotton Spinners who can negotiate with the shipping companies for freight.

20961. *Q.* To take one example only, you have a 23 yen rate from Bombay to Japan. In the case of cotton the Japan Cotton Spinners' Association have been able to arrange on account of their freight a rebate of 10 yen. Is it a fact that the shipping company can afford to carry the cotton at 13 yen, or has somebody got to make up this difference?

A. They can afford to do that.

20962. *Q.* So, neither the Japan Cotton Spinners' Association, nor the Government, pay the shipping companies anything extra to make up any loss?

A. The shipping company has got to bear their loss. The thing is this. At the beginning of each season the representatives of the Cotton Spinners' Association and some merchants meet together and talk over what should be the freight for the next year from India to Japan and they make contracts between themselves binding on both sides.

20963. *Q.* Is this rebate only given to cargo shipped in the ships of the combination?

A. Yes.

20964. *Q.* Now, about foreign ships. You say: "Meanwhile the N. Y. K. concluded an agreement with the P. & O. Co., the Societe Nationale de Service Maritime and Austrian Lloyd." If these ships carry goods to Japan do they receive the same treatment?

A. Do you mean between outsiders and Japanese?

20965. *Sir Edgar Holberton.*— *Q.* When these ships go to Japan do they always receive the same treatment?

A. Yes, the same treatment.

20966. *Q.* Suppose one wants to go from one Japanese port to another. Are the outside liners allowed to do so?

A. Coasting trade is entirely different from the conference.

20967. *Q.* The foreign ship that takes cotton from Bombay to Japan has this disadvantage in Japan, because it is not allowed to pick up the coasting trade?

A. No, she can take.

20968. *Q.* You say that foreign liners are allowed to pick up coasting trade?

A. Yes.

20969. *Q.* I thought it was entirely limited to Japan. Your Association is not in any way in the nature of a trading trust?

A. No.

20970. *Q.* Each firm makes its own business contract?

A. Yes.

20971. *Q.* The only advantage of being a member of the Association is that you get cheap freights?

A. Yes.

20972. *Q.* Do all these mills in Japan act independently?

A. Yes, independently.

20973. *Q.* Do they employ entirely Japanese labour?

A. Yes.

20974. *Q.* Do you find a plentiful supply of Japanese labour?

A. Sometimes there is scarcity of labour; but generally the labour available is sufficient.

20975. *Q.* Of course the industrialisation of Japan has proceeded fast and so I wanted to know if it was hampered in any way by shortage of labour.

A. The mill people have been complaining that it is difficult to get enough labour. Sometimes there is competition between two different mills. However, they have got enough labour to keep the work going on.

20976. *Q.* Your case really is this, that this trade has grown between India and Japan in your opinion to the mutual advantage of both.

A. Yes.

20977. *Q.* In your opinion any fiscal policy which would tend to lessen it would probably be harmful to both?

A. I think so.

20978. *Q.* Do you maintain that throughout your industry has had very little assistance from Government?

A. Yes, so far as the cotton industry goes.

20979. *Q.* On the other hand at one time you had a high tariff wall?

A. Yes, to a certain extent.

20980. *Q.* During the time when you had a high tariff wall your consumers must have suffered pretty heavily?

A. Yes, to a certain extent.

20981. *Q.* Can you give us an idea of how long that condition lasted?

A. It is given in the statement. Again in 1906 the general tariff law was revised and the import duty on cotton yarn was raised to 20 per cent. *ad valorem* and that on cotton piece goods to about 30 per cent.

20982. *Q.* My point is how long did your tariff wall last?

A. Five years.

20983. *Q.* When you say that at the end of five years you reduced it, was it because you found the hardship on the consumer was so great or because things had settled down by then and the local supply had become cheaper?

A. It was because the local supply had become cheaper.

20984. *Q.* It was not on account of the outcry of the consumers?

A. No, no.

20985. *Q.* Have you at present in Japan what is called a consumption tax?

A. For textiles, yes. We have got consumption tax on silk and cotton cloth of 2 per cent.

20986. *Q.* Is it levied on all textiles produced in Japan?

A. Yes, those produced in Japan and not on imported goods.

20987. *Q.* My information was that it was levied on both.

A. No. Only on Japanese manufactured goods.

20988. *Q.* Do you impose it only on mill made cloth or also on handloom made cloths?

A. On both.

20989. *Q.* How do you manage to impose this tax on handloom made cloths?

A. They have got a revenue office in every town and every piece of textile that is produced has to be stamped in that office. If any textile goods are found unstamped they will be forfeited.

20990. *Q.* That would apply equally to the powerloom and handloom cloths?

A. Yes.

20991. *Q.* It would not apply to imported textiles?

A. No. At the same time I have to give you this information that when the textiles are exported they get refund of this tax.

20992. *Q.* I am very interested to hear this, because you have succeeded in putting it even on the handloom industry.

A. Yes, both on hand made and mill made goods, although hand made goods are decreasing in quantity, because their cost is higher than machine made goods.

20993. *Q.* During the war Japan obtained a very large amount of protection for her goods, did she not?

A. Yes.

20994. *Q.* You have found much difficulty since then in marketing to the same extent?

A. Yes.

20995. *Mr. Narottam Morarjee.*—*Q.* As a result of the war protection, was there a good increase in the number of spindles? If you care to give, will you please give figures of spindles before 1904 and in 1919?

A. Roughly there has been an increase of a million and a half of spindles.

20996. *Q.* From the figures I find that in ten years in India the spindles have increased by $10\frac{1}{2}$ per cent. while in Japan they have increased by 73 per cent. Am I right?

A. Yes.

20997. *Q.* In the same way with regard to mills in ten years there has been an increase of 55 per cent in India while in Japan there has been an increase of 184 per cent. Am I right?

A. I think you are right.

20998. *Q.* To what parts do you send your textiles besides India?

A. (*Mr. Yamaji*) To China.

20999. *Q.* Is there any import duty on textiles in China?

A. Yes.

21000. *Q.* To what extent?

A. 5 per cent., I think.

21001. *Q.* Do you import fine counts from England or do you spin them yourselves?

A. We spin fine counts and sometimes we import from England.

21002. *Q.* Is there no duty on imported yarn?

A. There is.

21002A. *Q.* What duty?

A. A duty of 10 per cent.

21003. *Q.* What dividends do your mills generally pay?

A. (*Mr. Yamaji*) In 1916 about 15 per cent. The highest dividend in 1919 was 51 per cent. and the lowest 25 per cent.

21004. *Q.* In your mills do you use American cotton or Indian cotton?

A. (*Mr. Yamaji*) I think we use Indian cotton about one million and American about five lakhs.

21005. *Q.* Are there many spindles in China?

A. Yes, there are about three lakhs of spindles.

21006. *Q.* Where does China get cotton from?

A. She produces her own cotton.

21007. *Q.* Does she not import cotton from India?

A. Latterly she has been importing from India.

21008. *Q.* Did your country raise any objection to Imperial Preference when Canada and South Africa adopted it?

A. Our Government did, I suppose.

21009. *Q.* What are the methods employed in Japan to encourage the hosiery industry?

A. I cannot remember any material protection given to the hosiery industry. So far as I remember no Government protection, direct or indirect, was given.

21010. *Q.* Are your railways managed by the Japanese Government.

A. Yes.

21011. *Q.* Are any concessions made in railway freights to encourage industries?

A. No.

21012. *Q.* Would you object to the levy of a small export duty on cotton for revenue purposes?

A. I shall object for the sake of the Japanese.

President.—I may tell you that questions may be asked which you may not like to answer. In those cases you may say that you cannot answer the question. You are not bound to answer every question put to you.

21013. *Mr. Narottam Morarjee.*—*Q.* What are the maximum and minimum wages paid by your mills?

A. I cannot answer.

21014. *Q.* Is there any duty on woollen goods?

A. Yes, it varies according to the quality.

21015. *Q.* Where do you get your wool from?

A. Some we produce in Japan, some we import, from England and America.

21016. *Q.* Is it duty free?

A. No, we pay duty.

21017. *Q.* Is not India one of your biggest customers?

A. It is a good customer, but it is not such a big one as China.

21018. *Sir Montagu Webb.*—*Q.* I understand the object of your note is to impress upon us that the cotton industry in Japan developed mainly by private initiative rather than by Government assistance?

A. Quite so.

21019. *Q.* You would recommend this Commission to put forward this representation of yours and advise the Indian manufacturers, to depend upon their own initiative rather than upon any tariff policy?

A. Certainly.

21020. *Q.* At the same time you recognise that Japan has a protective policy in its tariff.

A. I do.

21021. *Q.* Japan has assisted its manufactures by concessions in railway freights and by bounties to shipping in the past.

A. Generally.

21022. *Q.* Your advice then is, "don't do as we have done, but adopt another method and have more freedom."

A. Not in that way. I have told you that protection is not very bad if it is imposed to foster industry.

21023. *Q.* You think that the less the protection of industry the better. That is the view you wish to represent to us.

A. From our point of view as suppliers to Indian markets, I should say 'yes.'

21024. *Q.* What would you say as the purchaser of Indian raw produce? The less the tariff the better?

A. Yes.

21025. *Q.* I suppose that is the policy that you would recommend to your own Government? It appears to me as though you would recommend to the Japanese Government to reduce their tariffs in the interests of the Japanese manufacturers.

A. That is so. For our industry we do not need any protection at all by Government.

21026. *Q.* The cotton industry in Bombay does not need much protection either?

A. The thing is that Bombay is much smaller than Japan. Gentlemen, I must point out here in this statement about the percentage of customs; you see that in 1911 when the general tariff law was revised the duty on cotton yarn was reduced from 20 to 10 per cent. *ad valorem* and that on cotton goods on the whole from 30 to 20 per cent. I want simply to make it clear that our tariff is specific and not *ad valorem* and consequently the *ad valorem* rates given are only approximate equivalents. Further I must point out that though the current rate of tariff is 20 per cent., under the conventional tariff it is only 15 per cent.

21027. *Q.* Does this apply to India? You say that it is 15 per cent. on the United Kingdom manufactures.

A. It is the same to India. Taking into account the current market prices, I don't think that it would come to even 15 per cent. but only 7 to 8 per cent.

21028. *Q.* You would have no objection to the duty being raised in India to the same level, *i.e.*, about 15 per cent.

A. If it is necessary also for the good of India.

21029. *Mr Coyajee.*—*Q.* I request a little information about the history of your cotton industry and the customs duties. I see that during the years 1904 to 1907, that is, following the Russo-Japanese war, the Japanese cotton industry was prosperous.

A. Yes.

21030. *Q.* Between 1907 and 1911 times altered and the Japanse cotton industry did not get such large profits.

A. Yes.

21031. *Q.* In 1911 rather a heavy duty was put on foreign goods.

A. It was decreased on the contrary.

21032. *Q.* In 1911, was there any decrease?

A. Yes, there was a decrease from 30 to 20 per cent.

21033. *Q.* I will read out a sentence from a book printed by the Department of Commerce, Washington, in which it is stated that the higher tariff was inaugurated in 1911. I am not disputing your statement at all. I am only pointing out what is in the book.

A. Is it on cotton yarn or cotton goods?

21034. *Q.* Cotton goods.

A. So far as cotton goods are concerned it was reduced since 1911.

21035. *Q.* There was a reduction in 1911 and the low tariff has been maintained.

A. Yes.

21036. *Q.* Now I come to the consumption tax. When was that tax imposed?

A. As a war measure, just after the Russo-Japanese war.

21037. *Q.* Has it been fluctuating or has it kept the same level?

A. (*Mr. Yamaji*) The same level of 2 per cent.

21038. *Q.* Was it not 10 per cent.?

A. So far as I remember it was 10 per cent. If you will allow me time, I would ascertain and let you know.

21039. *Q.* Is the handloom production in Japan growing or falling?

A. It is failing.

21040. *Q.* Is the fall due to the competition of the powerlooms?

A. Yes.

21041. *Q.* Do you think that the fall has been a rapid one?

A. Not too rapid. From the statistics I see that it is decreasing gradually. I don't think that it will die out, but in those hilly districts where it is snowing heavily and where there is nothing very much to do for the people, the handloom industry will exist. Some people take a fancy to hand woven goods and so there is a market for that.

21042. *Q.* Is this manufacture of handloom cloth in the hands of agriculturists who do this work in their spare hours?

A. Mostly agriculturists are doing this work in their spare hours.

21043. *Q.* I understand that this handloom cloth is also being largely exported.

A. I never saw it.

21044. *Q.* Now as regards your manufacture of hosiery, that is also a cottage industry in Japan and not a machine industry?

A. It is a machine industry.

21045. *Q.* It is not handwork?

A. Some minor details like stitching joints are done by hand but the body of the hosiery is of course made by the machinery.

21046. *Q.* There is another point on which I should like some information from you. Are any concessions in the shape of railway freights given to encourage exports?

A. None.

21047. *Q.* Either on piecegoods or on any other?

A. None whatever. Of course there are different rates for different classes of goods, but no rebate or protection is given on exports.

21048. *Q.* No specially low rate is charged?

A. No, it is all the same throughout the country.

21049. *Q.* On what conditions do you allow foreign firms, American, English or others, to establish themselves in Japan?

A. They are quite free to establish themselves in Japan.

21050. *Q.* They are absolutely free to establish themselves?

A. Yes.

21051. *Q.* No sort of restriction?

A. No.

21052. *Q.* Do you not insist that the foreign firms should have Japanese gentlemen on the directorate or use a certain amount of Japanese capital? You do not insist and the law does not say that the foreign firm which wants to enter Japan and establish itself there should have a certain number of Japanese gentlemen as Directors?

A. No law prevents anybody from doing that.

21053. *Q. President.*—Can foreign people acquire landed property in Japan?

A. At present a law has been passed that only persons of those countries which allow Japanese to acquire landed property in their countries, are allowed in Japan to acquire landed property, but it has not been enforced yet. The Government are now contemplating to make it more liberal, that is to say, to allow foreigners to come and live in Japan and buy and own land for that purpose.

21054. *Q.* Up till now you did not allow it?

A. No.

21055. *Q.* How could they establish industries?

A. They could lease.

21056. *Q.* They would be at the mercy of the owner?

A. Of course where there are fortresses, there are some restrictions. Otherwise lands can be leased.

21057. *Mr. Coyajee.*—*Q.* As a matter of fact, there are a large number of foreign firms established in Japan manufacturing and trading.

A. I know of some; glass factories started and owned by Frenchmen. I know at least of 5 or 6.

21058. *Mr Seshagiri Ayyar.*—*Q.* You say in the first paragraph of your written statement that any tariff revision made in India may cause a change in the attitude of foreign countries that are now contemplating tariff revisions. Have you any objection to tell this Commission what revision the Japanese Government is contemplating and whether it would be favourable to India?

A. We cannot tell. I really do not know. I have no objection to tell but frankly speaking I do not know, and I do not think that the Japanese Government are now contemplating any tariff revision.

21059. *Q.* Before the protective import duties were imposed, there used to be famines very often in Japan. Is it not a fact?

A. You mean famine in food grains.

21060. *Q.* General famine, that is foodstuffs.

A. No. Of course 30 or 40 years ago we read in history there were famines, but of late the production of rice may increase or decrease and I can tell you safely that there is no such famine as what you have in India.

21061. *Q.* There is shortage of rice occasionally.

A. Yes.

21062. *Q.* I want you to compare the position of Japan before there was industrial development and the position of Japan after its industrial development. Before Japan was an industrial country, if there was a shortage of rice, the people would suffer very much.

A. Yes.

21063. *Q.* Since the establishment of these industries if there is a shortage of rice, the people do not suffer so much.

A. No.

21064. *Q.* That is because the national wealth of Japan has increased and that is because your people are richer now than they were before.

A. Quite so. We can get foodstuffs from other countries and foodstuffs are duty freegoods.

21065. *Q.* You are able to purchase easily from other countries whenever there may be a shortage of rice in your own country.

A. Quite so.

21066. *Q.* That is due to the fact that you are industrially advanced.

A. Yes.

21067. *Q.* Did Japan at any time by means of handlooms supply cloth to the whole of her people?

A. Yes.

21068. *Q.* How long ago was that?

A. About half a century ago.

21069. *Q.* Was Japan ever able to export handloom products to foreign countries?

A. No.

21070. *Q.* It had never a trade in export so far as the handloom industry was concerned.

A. No.

22071. *Q.* Can you tell us whether the persons who are engaged in handloom industries have always been purely agricultural people?

A. They are.

21072. *Q.* There are no special classes of people solely devoted to the handloom industries?

A. Do you mean at present or half a century ago?

21073. *Q.* Half a century ago.

A. There were a good many entirely devoting themselves to weaving and spinning There were a good many cotton goods producing towns and in those places wives, daughters and almost everybody in the house were all engaged in the handloom industry, but since the powerloom industry has been introduced in Japan, the handloom industry is dying away.

21074. *Q.* That is to say the prices of the handloom article and the powerloom article are different.

A. Yes.

21075. *Q.* Can you roughly say what would be the difference of, say, 3 yards of fabric?

A. I cannot tell you. It is very difficult to compare the prices of the handloom product and the powerloom product but I can safely tell you that the handloom cloth is more expensive than the powerloom.

21076. *Q.* Now you say that the cost of production, so far as the handloom industry is concerned, is ordinarily higher than the cost of production of the powerloom. Supposing the consumption tax is confined to the powerloom industry alone and there is no consumption tax on the handloom industry, would that benefit the handloom industry?

A. That, of course, would depend upon the rate of the duty on the powerloom goods. If it is not much then it would not be enough encouragement for the handloom industry. I do not know about Indian conditions, but so far as our national conditions are concerned, I should say that it would not encourage the handloom industry much.

21077. *Q.* Supposing the duty is 3½ per cent. upon the powerloom production, would not that help the handloom industry?

A. It will not help the handloom industry much.

21078. *Q.* Then, how much tax would help it?

A. That I cannot tell.

21079. *Q.* In answer to Sir Edgar Holberton you gave a reply about the coasting trade. I hope it is true to the letter. But I have an extract from a book published by a Japanese Professor of the Waseda University, and I will read it to you. It is: "Before the conclusion of Treaty revision of 1894 the coasting trade was open to vessels flying foreign flags, but by the revision this privilege was restricted to the conveyance of passengers and cargo between Nagasaki, Kobe, Yokohama and Hakodate. In 1911 the restriction was extended and foreign vessels were prohibited to carry passengers and cargoes between those ports except on a continuous voyage." That means, so far as coasting trade is concerned, no foreign vessels will be allowed to engage in the coasting trade of Japan: only such vessels as are on a continuous voyage will be allowed to carry passengers and cargoes between two ports in Japan. I want to know whether this extract represents the true position as regards the coasting trade of Japan.

A. I do not know exactly, but I know there is a foreign steamer carrying passengers from one Japanese port to another. I have travelled myself.

21080. *Mr. J. C. Coyajee.*—*Q.* When did you travel last?

A. About a couple of years ago.

21081. *Mr. Seshagiri Ayyar.*—*Q.* Did that steamer continue its voyage to other ports outside Japan?

A. It proceeded.

21082. *Q.* So, it is not a coasting steamer. This paragraph merely says that foreign vessels will not be allowed to engage in purely coastal traffic?

A. I frankly say I do not know whether foreign vessels are allowed or not, but I can say that it would not pay for foreign vessels to carry on purely coastal traffic.

21083. *Q.* I take it that you have not got full information on this matter.

A. Yes: I cannot say definitely.

21084. *Q.* There is one other matter. You were giving evidence about foreigners being allowed to establish foreign firms in Japan and you said there is no restriction on foreigners. The writer referred to by me says: "Then certain companies or banks that stand in special relation to the Government, for instance the subsidized steamship companies as the Nippon Yushen Kaisha or the banks under special protection as the Bank of Japan, are not allowed to take foreigners as shareholders." Is that true?

A. The foreigners are not allowed to own shares of the Bank of Japan, but I cannot tell you anything about the steamship companies.

21085. *Q.* As regards this statement of the writer with the information you have you are not in a position to contradict it?

A. With regard to the Bank of Japan I have told you. I will let you know later about the steamship companies.

21086. *Q.* Are any duties imposed on Japanese exports of textiles?

A. No.

21087. *Q.* Are there export duties on any raw materials that are being exported?

A. No export duty on anything.

21088. *Mr. Rhodes.*—*Q.* In regard to this consumption tax about what enquiries were made before lunch, have you ascertained the rate?

A. Yes, it is 10 per cent.

21089. *Q.* Is it charged on imported goods as well as on locally produced goods?

A. No.

21090. *Sir Manakjee Dadhabhoy.*—*Q.* Am I to understand by that answer that it is levied only on locally manufactured goods and not on imported goods?

A. Yes.

21091. *Mr. Rhodes.*—*Q.* In a book I have, issued by the British Government and written by the Commercial Secretary to the British Government at Tokio in 1920, it is said that in the case of imported textiles the consumption tax is levied together with the import duty.

A. So far as we can ascertain the consumption tax is not levied on imported goods.

21092. *Q.* What is the import duty?

A. About 20 per cent.

21093. *Q.* On the question of steamer freights, I see in your statement that the P. & O. Steam Navigation Company was being subsidised by the British Government. Have you any facts on this subject which you can tell us, because we are interested in the matter?

A. (*Mr. Yamaji*) We don't know the amount of subsidy, but we know that at a time it was granted to them.

21094. *Q.* You do not mean what they got for carrying mails?

A. (*Mr. Yamaji*) They were paid for carrying mails separately.

21095. *Q.* You are referring to the P. & O. Co.?

A. (*Mr. Yamaji*) Yes, the P. & O. Co. was subsidised by the Government. We believe so.

21096. *Q.* Have you any authority for believing that?

A. You may refer the matter to the Agent here.

21097. *Q.* But I have never seen any statement that they were subsidised. They themselves deny it.

A. Well as to any authority or written statement we cannot give any satisfactory information.

21098. *Q.* They say that they were not subsidised. Is that correct?

A. We cannot tell.

21099. *Q.* In your written statement you tell us that at sometime your Association granted allowance of some kind on cotton yarn and goods exported. Does that mean actually that you charged less to the foreigner than you charged to your people?

A. No, the things were thus. It was restricted only to the members of the Association. When a certain quantity of yarn or piecegoods were exported outside Japan, we got customs export certificate and brought that certificate to our Association and got refund. It did not matter which party did export; for instance there was no distinction between an Indian firm, English firm or a Japanese firm. There were two ways of doing this, one was by coupons and another in the form of a rebate. By the coupon system everybody who gets a coupon which is enclosed in the piecegoods was entitled to get money.

21100. *Q.* Does your Japan Cotton Spinners' Association buy all the cotton for your mills?

A. No.

21101. *Q.* Does each mill obtain its cotton through different agents?

A. No mill in Japan has got its direct agent here. The mills buy their cotton from the firms here or from importers in Japan and cotton importers in Japan have got their agency or branch office here in India.

21102. *Q.* I notice that in 1910 only 33 per cent. of the trade was done by the Japanese in Bombay; now 74 per cent. is done. It is not on a monopoly basis, I believe?

A. No.

21103. *Q.* Does the Japanese Government sometimes suspend the levy of import duties?

A. Not too frequently.

21104. *Q.* How is it done, by the executive Government or the representative Government?

A. In cases of emergency it is done in the form of an Imperial Ordinance as it happened a couple of years ago. Otherwise it has got to pass both through the Upper and Lower Houses.

21105. *Q.* I understand that the Japanese cotton industry was started at a time when you had no protection.

A. On the contrary it was doubly handicapped.

21106. *Q.* Yet it started?

A. Yes.

21107. *Q.* Why was protection necessary later?

A. It was partly to get more income to the Government.

21108. *Q.* Did that protection help you?

A. You mean whether it helped the growth and development. Yes, it did.

21109. *Q.* When the protection was put on, the industry grew fairly rapidly?

A. Even without it the cotton industry would have grown up.

21110. *Q.* I suppose when the young child industry came to manhood it was strong enough to insist on protection—I mean politically?

A. Yes.

21111. *Q.* They need no more protection, but they have political power to get protection if they want it?

A. Yes, but they asked several times, they applied to the Government for subsidy or bounty or some other assistance particularly in times of hardship, but they could not get it. Still the industry developed.

21112. *Mr. Birla.*—*Q.* You built your industry under protection. As you said you were a powerless nation having no industries at all and the first time you came into power you adopted a policy of protection which you thought was in the best interests of your country.

A. Yes.

21113. *Q.* You have not only protected your industries by heavy protective tariffs but you also protected your shipping trade by giving subsidies and thus enabled them to take your manufactured goods cheaper to other countries. Under these circumstances I can only expect from you that you do not object at all if India also adopts a policy of protection, but from your written statement I see that you would really object to Imperial preference and not to protection.

A. That is it exactly.

21114. *Q.* You do not at all object to protection?

A. No.

21115. *Q.* It has been suggested to us by many other witnesses, and I would like to know as you come from a country where protectionist policy is worked with success, it has been suggested to us that under protection the consumer suffers on account of the rise in prices. Do you think that the interests of the consumers in your country were sacrificed by protection?

A. I agree to it.

21116. *Q.* Was it a temporary sacrifice or a permanent acrifice?

A. It was not permanent.

21117. *Q.* Eventually you think that protection not only does good to the industrialists but also to the consumers in the long run.

A. Yes.

21118. *Q.* Because to-day we find that the Japanese consumer can get his cloth cheaper than an Indian can get it in India?

A. That we cannot tell.

21119. *Q.* Why? Do you sell your cloth for the same price in India as you do in Japan?

A. The kind of cloth that is used in Japan is quite different from that used in India.

21120. *Q.* Suppose there is one uniform quality which you are selling in Japan and you are selling the same in India. Won't it be that in Japan you would be selling it at a lower price than you would be selling it here, because you have got to pay freight, insurance and other charges?

21121. *President.*—The question is whether the Japanese goods are not dearer in India than in Japan?

A. That is so.

21122. *Q.* The point is that by protection the consumer does not suffer at all, but in the long run everybody is benefited by it?

A. Yes.

21123. *Mr. Birla.*—*Q.* In your statement you say that exaggerated reports are being circulated in the magazines concerning Japanese competition. Now as you know at some time we were exporting woollen to Japan and under protection we were not able to compete with the Japanese and therefore our trade stopped. Now we are losing our market a great deal for our yarns in China, the chief competitor being Japan. Isn't that a fact?

A. You have got your Chinese market still.

21124. *Q.* Our exports of yarn are decreasing from year to year. We think that it is due to the Japanese competition. Is it not a fact? You can correct me if I am wrong.

A. It is a fact.

21125. *Q.* Is it not a fact that in India itself to-day Japanese yarn of 20 counts could be had at a cheaper rate than the Indian yarn of the same quality?

A. It is a fact.

21126. *Q.* That shows that there is a keen competition between Japan and India. You cannot say that all these reports are exaggerated. That is my main point.

A. I don't wish to argue but I should think that you are rather too hasty to come to conclusions.

21127. *Q.* You can correct me if my impression is wrong.

A. The point that is strongly argued in this written statement is not that our cotton is getting a firmer footing in the Chinese market or having some sale in this market, but the growth of our industries is not due to the protection given by the Government.

21128. *Q.* That has nothing to do with my point. I want to prove that there is keen competition at present in India itself between the Japanese manufacturer and the Indian manufacturer.

A. Yes.

21129. *Q.* You protected yourself against foreign competition and as a business man you cannot deny the same thing to me.

A. I have given my reply to a question put by the President. I don't deny that it is not a bad thing to adopt a protective policy to foster the Indian industry, but you must admit that the quality of yarn that we import from Japan is not the same which the Indians are now making. Of course there are some qualities which are the same, but most of the Indian yarn is coarser and ours is finer.

21130. *Q.* You have said in your written statement that all these things are exaggerated.

A. I must say that they are exaggerated. I want you to prove it. As it is you sell your yarn at a cheaper rate in my own country than I can sell. Does not that show that there is a severe competition?

A. I admit that.

21131. *Q.* And therefore it is not exaggerated and it is real.

A. What this written statement says and what we wish to point out is that the competition is not upon Government's subsidy or Government's protection.

21132. *Q.* Government can support industries only by tariff walls, subsidies or bounties, and they have protected your industries by heavy tariff walls. They have given subsidies to your shipping trade. I also find that though they impose a consumption tax of 10 per cent., they allow a rebate on the exports and that encourages the industrialists to sell their manufactures in other countries.

A. As regards the last point you raised, I admit that it is a fact that it encourages the export trade. At the same time it must be admitted that the consumption tax which is levied on the home consumption raises the cost of labour which is not an advantage but a drawback to the millowner. Then as to the other point that you raised about tariff, well, it is not high. The current rate of tariff is very low.

21133. *Q.* It went up to 30 per cent. when your industry was young and only when Government found that it was no longer necessary, it came down.

A. It was 30 per cent., but at the same time the conventional tariff rate was applied to most of the supplying countries and properly speaking it was not 30 per cent.

21134. *Q.* Is not the consumption tax levied in addition to the import duty?

A. Consumption tax is put only on home made goods.

21135. *Q.* Is the consumption tax abolished or still in force?

A. It is not abolished.

21136. *Q.* What is the import duty on cotton goods?

A. There are two rates of tariffs, national and conventional. Conventional tariff is for the favoured nations and national tariff is the ordinary tariff. For the favoured nations, the duty would come to 6 or 7 per cent.

21137. *Q.* Your consumption tax is 10 per cent.

A. I think so.

21138. *Q.* That means that the consumption tax is more than the duty on goods from favoured countries.

A. Yes.

21139. *Q.* How does your industry get protection?

A. It does not.

21140. *Q.* Do you mean to say that your industry does not get protection?

A. But in the case of export, it is refunded.

21141. *Q.* Your consumers would have to pay more for your home made goods than what they have to pay for the foreign goods. I am afraid that you are wrong.

A. We think that we are right. We will ascertain and write to you later.

21142. *Q.* Would you kindly let me know what is the outturn per spindle of 20 counts of yarn in your country?

A. Mr. Yamaji has given you some details in the note which he sent to the Secretary some time ago.

21143. *Q.* What is the cost of production per lb. of yarn of 20 counts?

A. I cannot tell you.

21144. *Q.* I simply want to know whether Japan is dumping her goods in India.

A. No fear.

21145. *Q.* You said that there were some restrictions about foreigners establishing in Japan and about foreigners buying shares, etc.

A. The shares of the Bank of Japan as well as the shares of Yokohama Specie Bank are the two shares restricted by law, and in the case of others there is no such restriction, but the Companies themselves may think it wise not to allow the foreigners to hold their shares.

21146. *Q.* Suppose I want to build a cotton mill in Japan. Would you allow me to do so under the same conditions as you would allow a Japanese?

A. I think that there are some restrictions.

21147. *Q.* Can you let me know what they are?

A. They are too complicated. I will ascertain and let you have a note on the subject.

21148. *Mr. Mant.*—*Q.* In your written statement you say "in 1919 to check the general tendency of rising prices at home, the Government suspended levying the import duty on cotton yarn and goods."

A. Yes.

21149. *Q.* Did they also suspend the levy of the consumption tax?

A. We do not know definitely.

21150. *Q.* There is only one other question I have to ask you. I understand from your written statement that you are apprehensive that India might injure Japan in two ways, firstly by putting a high duty on imports of cotton goods and secondly by putting an export duty on exports of raw cotton. Which would be more injurious from the point of view of Japan?

A. Both are painful.

21151. *Mr. Jamnadas Dwarkadas.*—*Q.* Can you tell me whether your imports largely consist of raw materials or what?

A. Largely of raw materials from other countries and machinery and metals which cannot be had in Japan.

21152. *Q.* What is the proportion between the import of raw materials and the import of finished goods in Japan?

A. I can give you an explicit idea if you give me time. It is difficult to answer the question offhand. I shall look up the customs returns and send you the information.

21153. *Mr. Jamnadas Dwarkadas.*—*Q.* Japan's imports consist more largely of raw materials than of finished goods?

A. That is so.

21154. *Q.* You do not get manufactured cloth from outside countries?

A. We do not.

21155. *The President.*—*Q.* Don't you get something from Lancashire now?

A. We get some superior grade, but not in large quantities.

21156. *Mr. Jamnadas Dwarkadas.*—*Q.* If there is no consumption tax on imported articles and there is consumption tax on home made articles, don't you think it would be an attractive proposition for other countries to export their goods to Japan?

A. The point of price would be the first thing to argue about. We are making our goods cheap.

21157. *Q.* You make much cheaper than Indians can make their goods?

A. Much cheaper than goods coming from England.

21158. *Q.* That is to say, your cost of production is much less than the cost of production that obtains in India?

A. (*Mr. Yamaji*) I do not think that the Japanese cost of production is cheaper than the Indian cost of production, but I am sure that it is cheaper than the English or the American cost of production.

21159. *Q.* I just want to ask you a question about your consumption tax. It is on home made cloth, is it not?

A. Yes.

21160. *Q.* But when you export you give it back in the form of rebate. Is that because your Government wants to encourage the export of your manufacture and your Government wants your own people to economise in the use of cloth? At least the effect of it will be that?

A. You can say that.

21161. *Q.* That is, you want to export outside more than you use yourself?

A. Yes.

21162. *Q.* Now, you yourself say that most of the cotton you import from other countries. Don't you import a very large quantity from India?

A. We import from India, from the United States, from China and from Egypt.

21163, *Q.* But you import large quantities from India?

A. Oh, yes.

21164. *Q.* You import a large quantity from India, you pay railway freight and shipping charges on it; you manufacture it into cloth and you ship it back to India. Would it not be a paying proposition for India to consume its own cotton and to supply its own wants?

A. But that would mean higher price for Indian mill-made cloths and for Indian *khadi*. There again also comes the item of price.

21165. *Q.* You import large quantities from India. That means you pay the price for the raw cotton and also the cost of taking it over to Japan. Then you manufacture cloth there and send it back to India, again taking on you the burden of the cost of sending the whole thing back?

A. Yes, paying freight both ways.

21166. *Q.* The cost of that freight is borne by the Indian consumer. If instead of bearing this freight the Indian cotton is manufactured here into cloth, do you think he will get it cheaper or at a higher price?

A. I do not think this is a question I have come here to answer. But if I am allowed to say, it will all depend upon the cost of coal, the cost of labour, and how cheap such goods can be produced here. If it is not too expensive here, then you can manufacture cheaper than the foreign goods.

21167. *Q.* You yourself say: "The mill-owners of Japan have to depend on the raw material brought over from foreign countries, and they have to bear the extra expenses of freight and insurance, besides the risks of exchange. In addition to this the increasing wages and the ever-growing cost of management tend to enhance the cost of production surprisingly. And when legislation will be instituted according to the recommendations of the first International Labour Conference in Washington the cotton industry of Japan will be still further handicapped." You yourself point out the difficulties in your written statement about the possibility of your cost of production increasing, but now you say that your cost of production is much cheaper?

A. The statement given in the written statement is true. If the tendency of rise in the cost of production continues, well then Japan will not be able to produce her goods cheaper which is now enabling her to take her goods to India.

21168. *Q.* But if India consumes her own cotton she will be able to produce it cheaper than Japan,—that is, on your own admission.

A. Well, that is so.

21169. *Sir Manakjee Dadabhoy.*—*Q.* In answer to the President's question you have given some figures about freight rates from Bombay to Japan and from Calcutta to Japan; from Bombay to Hongkong and from Japan to Hongkong. I will thank you now if you will give me your freight rates for Japanese piecegoods from Japan to Bombay and from Japan to Calcutta?

A. (*Mr. Yamaji*) We do not know now.

21170. *Q.* Will you send it to us later on?

A. Yes.

21171. *Q.* I understand your written statement has been drafted in Japan and forwarded to you, and you gentlemen have been asked to support it?

A. Yes.

21172. *Q.* In this statement your Association says: "But to introduce the system of preferential tariff clearly violates the principle of 'fair trade' and may be said to make undue discrimination between the British Empire and other nationalities." Your Association is against Imperial Preference?

A. Yes.

21173. *Q.* Can you give me any reason why then you discriminate between different nations? You say: "In 1897 when Japan for the first time promulgated the general tariff law, the import duty on cotton yarn was raised to 10 per cent. *ad valorem* and that on cotton piecegoods to 15 per cent. But on the British cotton yarn and goods the conventional tariff of about one half of the general tariff rates was applied, and the other treaty powers enjoyed the same concession. Your country is giving preference to the United Kingdom and other treaty powers?

A. Yes. But the treaty powers include almost every nation from whom we are getting goods.

21174. *Q.* If India wants to give preference to the United Kingdom, why do you object? Japan is giving it.

A. If Imperial preference is given to the British Empire, the countries in the British Empire can sell far cheaper in India than Japan, and thereby the competition is not healthy. It is not "fair trade" as we say. You charge a lower rate on British goods than on Japanese goods. This would shut out our goods from India, and the population of India would have to pay a higher price than is necessary for goods of the same quality that we bring now.

21175. *Q.* You think it is unfair to the Indian community at large?

A. Yes, to the Indian community at large.

21176. *Q.* You are showing your solicitude for the Indian consumers.

(No answer.)

21177. *Q.* You say: "The mill-owners of Japan have to depend on the raw material brought over from foreign countries, and they have to bear the extra expenses of freight and insurance, besides the risks of exchange. In addition to this the increased wages and ever-growing cost of management tend to enhance the cost of production surprisingly. You are taking cotton from India to Japan, pay railway freight, ocean charges and insurance, you risk loss of exchange: you manufacture it there and then again you pay the railway freight, ocean charges and insurance, and bear risk of exchange. But when the article comes to Bombay you still sell it cheaper than Indian mill-made goods. Mr. Birla pointed out that your yarn was selling 2 as. per lb. cheaper,—that works to 10 or 12 per cent. Can you give me an explanation for this? You say you are handicapped by all these things.

A. Nothing except efficient management and skill and as little margin of profit as possible.

21178. *Q.* Do you think it is fair to India that we should allow your goods to come in here without any duty and allow you to compete freely here? Would you allow it if you produced the cotton and India took over your cotton, manufactured it here and sent it for sale in your market?

A. I admit that to foster an industry while it is young is a good thing. We are not opposed to it.

21179. *Q.* Leave aside the question of young or old. How many mills have you in Japan?

A. 54.

21180. *Q.* In a little time you may have 200 mills. If you bring the production of all those mills into India there will shortly be no mills in India.

A. I do not believe we can do that.

21181. *Q.* Can you give me some figures of the total production of your mills and what precentage of it you are exporting to India?

A. (*Mr. Yamaji*) I have sent a book to the Secretary of the Commission—*Japanese Statistics for 1919-20*—and that shows everything.

21182. *Q.* You agree that a country must protect itself?

A. On principle, yes.

21183. *Q.* Your country also put 30 per cent. import duty and then it was reduced to 20 per cent. and now that the industry is strong enough it has been reduced to 7 per cent. because you think your industry does not want any more protection at present. Is not that so?

A. Yes.

Please let me know a little more about your cotton imports. You told us this morning that you took about a million worth of Indian cotton from India.

A. Yes.

21184. *Q.* How much do you import from America, China and Korea?

A. 5 lakhs from America, 3 lakhs from China and a little from Korea.

21185. *Q.* Is that all your amount?

A. Some from Egypt also, about 1 lakh.

The President.—The total is about 19 lakhs and the import from India is 10 lakhs.

21186. *Sir Manakjee Dadabhoy.*—*Q.* So, you depend largely on Indian cotton?

A. Yes.

21187. *Q.* Now you buy this American and Egyptian cotton only for the purpose of mixing with Indian cotton?

A. Not quite.

21188. *Q.* Do you go in for higher counts also?

A. Yes, up to 120s.

21189. *Q.* You sell at a much cheaper rate in India than in China. Is it not a fact?

A. We do not know, but we do not think that we sell cheaper here.

21190. *Q.* Do you think if an export duty is levied on cotton for revenue purposes it would seriously affect your business?

A. Oh, yes.

21191. *Q.* Why? There is so much margin between your price and the price of the Indian mills. I do not know what percentage of profit you make, and I do not want you to tell me that. But may I ask you if a small export duty on cotton will interfere with your business?

A. We would like to point out it all depends upon the percentage of the duty imposed. I have explained that we use American cotton. If an export duty on Indian cotton makes Indian cotton dearer for us, we will go and buy American cotton. To that extent there will be a decrease of the consumption of Indian cotton in Japan.

21192. *Q.* We all do the same thing, but there is a large difference between the prices of Indian and American cotton.

A. My answer is pertinent to your question. To the extent Indian cotton becomes dearer by the duty, we will buy American cotton and not buy Indian cotton. That will reduce our consumption of Indian cotton.

21193. *Q.* But you will have to pay more money for the American cotton?

A. We have got Chinese cotton.

21194. *Q.* Irrespective of the duty, you will buy Chinese cotton if it is cheaper?

A. I have told you that we are trying to go from lower to higher counts. If we cannot replace the Indian cotton, to some extent we can use American cotton.

21195. *Q.* Then about shipping companies. How many Japanese shipping companies are there running ships from India to Japan?

A. (*Mr. Yamaji*) Only two.

21196. *Q.* What is their total capital?

A. About 100 million yens.

21197. *Q.* How much of this capital is held by the State?

A. I think about 27,000 ye is held by the Japanese Royal Family.

21198. *Q.* How much is held by the Government?

A. Government holds no shares.

21199. *Q.* How much debentures does the Government hold?

A. We do not know. We shall inform you later on.

21200. *Q.* Does Government give loans to these companies?

A. No.

21201. *Q.* All the cloth which is imported into India comes in these Japanese ships only. You do not send it in other ships?

A. Some is coming in the P. & O. boats also.

21202. *Q.* A very little part, but the major portion comes in the Japanese ships?

A. Yes.

21203. *Q.* The Japanese boats give you rebate which they do not give to others?

A. The bigger shippers can get a greater amount of rebate than the smaller shippers, proportionately to the size of their shipments.

21204. *Q.* Mr. Narottam Morarji has given me a statement which shows that within the last 14 years the subsidies given by the Japanese Government to the shipping companies come to millions of yen.

A. The Japanese lines go to all coasts: they go from Japan to the United States, Japan to South America.

21205. *Q.* But wherever loss is sustained by the Japanese shipping companies Government gives them a subsidy?

A. But there is no subsidy from Japan to Bombay.

21206. *Q.* But subsidy is given by the Government to make up the loss sustained by the lines?

A. Yes.

21207. *Q.* This consumption tax was introduced as a war measure, wasn't it?

A. Yes, but it is still in force.

21208. *Q.* Are they going to abolish it?

A. We cannot tell.

21209. *Q.* It was only for additional income?

A. Yes.

21210. *Q.* Just as other countries went in for some new form of taxation?

A. Yes.

21211. *Q.* Does China put any export duty on cotton sent to Japan?

A. Yes.

21212. *Q.* How much duty?

A. I think about 10 per cent.

21213. *Q.* Has China any import duties?

A. Yes, an import duty of 5 per cent.

21214. *Q.* In Japan do they protect the handloom industry against the powerloom industry?

A. No, they do not.

21215. *Q.* You are not sure about the question whether Indians are allowed to buy lands in Japan to build houses?

A. I know it is not allowed at the present moment.

21216. *Q.* Of course you Japanese buy lands here extensively?

A. So I was told.

21217. *Q.* You can put up your own ginning factories here extensively?

A. Yes, it is so.

21218. *Q.* What duty are you levying on foreign yarn?

A. 10 per cent.

21219. *Q.* What is your opinion if India should put a similar duty on foreign yarn?

A. I should not say it is bad.

21220. *Q.* I am very glad to hear that. I understand from your evidence that you are not opposed to import duties, but that you are opposed only to Imperial Preference?

A. Yes.

The witnesses withdrew.

Witness No. 132.

Rao Sahib G. N. JAHSRABUDHE, Member, Advisory Board of Industries, Cntral Provinces and Berar, Amraoti.

Written statement, dated the 12th December 1921.

21221. 1. I am a Pleader practising at Ellichpur, Berar (now at Amraoti), for the past 36 years, and now I am appointed Honorary Secretary of the Berar Victoria Technical and Industrial Society, Amraoti, in place of the late Rao Bahadur R. N. Mudholkar, C.I.E. I had connection with Ellichpur Civil Station Municipal Committee for 26 years both as Honorary Secretary and latterly as Vice-Chairman. I have been studying the question of the development of Indian Industries for the past more than a quarter of a century. We had floated a Company at Ellichpur Camp called "the Berar Match Manufacturing Company, Limited," of which I had the honour to be the President of the Board of Directors. The concern went on only for two years and was lost in which I and my other friends had themselves to suffer a good deal of loss. I was examined as a witness before the Indian Industrial Commission at Nagpur on the 15th December 1916 (as witness No. 140, Central Provinces) and I have attached a Note on Ellichpur Match concern giving out in detail the various causes of failure. I read a paper on "small Industries and scope for their development in India," at the Indian Industrial Conference held at Bankipur in 1912, presided over by Mr. Lala Harkisan Lal, now the Hon'ble the Minister for Punjab. I take great interest in the manufacture of paper from "Green Cotton Stalks" and it has been now demonstrated that a paper can be made from them (*vide* Bulletin No. 1 issued by the Director of Industries, Central Provinces). Lastly, I have been nominated by the Central Provinces Government a member of the Advisory Board of Industries, Central Provinces and Berar, and I have been still taking interest in the Industrial Development of the country.

Backed by this experience I have ventured to submit my statement in reply to the set of questions issued by the Commission. I have followed the system of answering questions in a narrative form as was done at the time of answering questions set by the Indian Industrial Commission.

Fiscal Autonomy.

21222. 2. By providential arrangement India has come into contact with one of the best nations in the world. British people are liberal, industrious and intelligent and possess an administrative capacity. Whatever may be the past history of the Commerce of India with England, the British Government in the country has been appreciating the various changes that are taking place in the political and commercial activities of the Indian Empire and the aspirations and the general intelligence of the people. The war has convinced the British statesmen that India was of great service to England during difficult times not only in the case of money matters, but also in supplying recruits and brave soldiers who died for the sake of England. The new Reforms in the administration of the country have been introduced, and the enlarged Councils have done good service to the people. India is admitted into the League of Nations and she is represented in Councils and Conference by her chosen delegates. She has now attained the position of a *Partner* in the British Empire and has got the same rights and privileges which the people in the Dominions and the British Colonies are enjoying at present. It was therefore in the fittest of things that the present Commission is appointed to determine the future direction of fiscal policy and to decide whether India should adopt a Policy of Imperial Preference.

Free Trade, Fair Trade and Protection.

21223. 3. In a country like India where the industrial development is yet in an infant state we shall have to see first whether Free Trade principle or Fair Trade principle or Protection will be of any advantage to the country. I do not pose myself or pretend to be a great economist. My opinion may be right or wrong. Different nations in different circumstances and in different states of growth require different treatment and when able to legislate for themselves, have on the whole, making allowance for human failings, usually adopted the measure of Free Trade or Protection suitable to their condition. But chief contradictions appear when one nation controls another. And the treatment meted out to such countries has been often highly inequitable to them. Various examples can be found in this respect in the case of India herself. Most of the economists therefore say that "no absolute rules can be laid down on Free Trade and Protection—sometimes the one being wise, and sometimes the other."

"Protection" means the giving by Government, the home producers, an advantage over foreigners either by placing an import duty on foreign produce, as it comes into the country, higher than the taxation laid on similar home produce—or else by giving the home exporters a donation (usually called bounty or bonus) in addition to what they can earn commercially.

"Free Trade" means the absence of such Government granted advantage (Devas Political Economy, page 297).

"Fair Trade" means a commerce on which no restriction is imposed by either party, or on which equal restrictions are imposed by both and thus reciprocity is made essential to the notion of "fair."

Now it is very difficult to say whether India is a Free Trader, or Fair Trader or Protectionist. In fact, she is a mixture of three. Whatever principle was found suitable to the Administrators, it was made applicable to India. I think this is an open secret and no more words are necessary to explain it. The newly imposed heavy export duties on raw hides and skins with a Rebate of ¾ in the case of British goods and the heavy restrictions laid on imports of Dyestuffs are recent examples. Properly speaking, whatever suits Indian conditions and suits special circumstances of the country should be enforced. In fact, what is really needed at present is "Fiscal Freedom" to India. That is the Indians and the Indian Legislators should have power—complete power—to levy taxes and spend the income to the advantage of the country according to the wishes of the Indians themselves. The dictates of foreign countries or of even Lancashire will do no good at all. As a matter of fact, a nation follows that system which suits her best. England has, for nearly a century, a Free Trade nation. Now that the international situation is changed, England is, surely but slowly, drifting towards protection. Many Indian Economists believe that Measures for protection are necessary in regard to Indian nascent industries to stand the competition of the fully developed foreign industries. What India insists upon at present is that she, like other countries comprised in the British Empire, must be given the fullest measure of Fiscal Freedom, so that she may arrange Tariffs in a manner best suited to her needs and conditions. Certainly she has a right to demand that her interests shall not be sacrificed to the interests of other nations. There is a promise from Mr. Montagu in this respect, and the Joint Select Committee of Parliament also reports in the same strain. The Report says that whatever may be the fiscal policy for India for her needs, for her consumers, as well as for her manufacturers, it is quite plain that she should have some liberty to consider her interests, as is the case with Great Britain,

Australia, New Zealand, Canada and South Africa. This is so far good. It is also said that as long as there is agreement between the Indian Legislative Assembly and His Excellency the Viceroy, there should be no interference from anybody or officer in England. There ought to have been a Statutory provision to this effect, but it is said that there is some legal and technical difficulty in this respect—therefore we must remain satisfied for the present with the unwritten law, *i.e.*, "Convention" provided in the Parliamentary Acts of the New Reforms.

Revenue Tariff.

21224. 4. After having considered the merits of granting the "Fiscal Autonomy" to India as stated above, we now come to the discussion of questions—

(1) How to raise money in the country for meeting the needs of India,

(2) How to protect the Indian Industries with a view to their development and make them capable to compete with foreign industries.

The money should be raised by indirect taxation in the country. Direct taxation is felt by the people and becomes a burden to them. The money should therefore be raised by heavy export and import duties on goods that go to and come from foreign countries. There is abundance of raw materials in the country and portion of which is such as is not available even in the whole world, such as jute, lac, rice and wheat, jawari, coffee, etc. An export duty if imposed on these articles will be a good source of income and will not create any sort of ill-feeling among other countries, as they want these articles very badly and will purchase them from India at any cost.

Protective Tariff.

21225. 5. Similarly there must be levied heavy import duties on manufactured goods imported by foreign countries which will also yield a huge income and will as well help to protect Indian Industries. The advantages of a Protective Tariff are obvious. The tax on goods imported from the outside countries will be levied at a certain rate with the result that the imported articles will be sold dearer, and the Indian made goods will have the advantage of being sold cheaper which will thus secure a large field of custom. The success of an industry much depends upon the economy with which the goods are manufactured and the care taken by the manager of a Factory in the supervision of the work.

I think it is not possible for India to produce all articles in the country. There are and would remain all the while some articles which could not be manufactured in India for some time to come, such as Engines, Boilers, Motor cars and Aeroplanes. These even can be made in the country, but not until the people have become expert and have attained that ability and intellect which is absolutely necessary for the successful manufacture of articles of daily use. India cannot take the position of a great country whatever her political status so long as her people are unable to equip themselves, as a modern nation must be equipped, whether for peace or war.

Heavy protective duties should be imposed on those foreign made goods only which are likely to compete with Indian made goods, for example (1) Dyes, (2) Soaps, (3) Candles, (4) Pottery, (5) Cement, (6) Glass, (7) Paper, (8) Minerals, (9) Acids, (10) Fertilizers, (11) Leather, (12) Smelting of iron, (13) Copper, (14) Aluminium, etc., (15) Hosiery Factories, (16) Iron and Brass Foundry Works, (17) Sugar Factories, (18) Lac Factories, (19) Oil Mills, (20) Brush Works, (21) Match Factories. The object is to preserve and maintain the existing industries, and encourage new ones. Cheapness of articles—especially Swadeshi—attract the people, and wider field of custom is thus secured. Tariff provides a suitable form of taxation which is preferable to direct taxation.

I do not think that the principle of Protection is involved in the existing Tariff Policy; consequently it had no appreciably favourable effect on industries in the country. It is the general complaint that the Indian industries do not stand the competition with foreign made goods. The circumstances of the country are peculiar. There is need of expert knowledge—capable managers and manufacturers and skilled labour. In other countries everything is favourable to them. Therefore great attention must be paid for the protection of the Indian industries by imposing heavy import duties on foreign made goods, or by giving bounties or bonus to the industries. All democratic countries including England's Colonies are developing their industries through import duties, and we too have now a modified form of fiscal freedom. Thanks to the foresight of the Right Hon'ble Mr. Montagu who keeps telling deputation after deputation from Lancashire that he could not interfere with India's discretion to levy import duties for any purpose whatever. If the present policy is continued there will be no appreciable progress in the development of Indian industries.

I do not favour the imposition of excise duties. It is evidently a tax on consumers unless the Mill owners are a little patriotic, they will have the effect of raising the prices.

A number of questions have been asked on "Protection." But I humbly submit that it is very difficult to lay down hard and fast rules on the subject. Everything depends upon the circumstances of a country at a particular time. The history of German industries will establish what I say. Germans being very patriotic and intelligent possessing scientific skill of manufacturing processes have done anything they liked to promote the commerce with India by dumping the Indian markets with numerous and cheap German made articles. The State being in their favour, has sometimes pleased to sanction enormous grants, bonuses, free passages and cheap raw materials and all sorts of concessions which the people needed to accomplish their object. So in the case of India too we have to be more generous and we should also request Government to be more generous in sanctioning grants, bonuses, bounties and give other facilities and concessions required by the people.

Retaliation.

21226. 6. So far as retaliation by India is concerned, it can be very well said that other countries are able enough to protect their industries and no country in the world is exposed to attacks by India in the manner in which India is exposed to everybody else's depredations. If heavy duties are imposed on foodstuffs from India, who will suffer? The duty will have to be paid by their own people. Because they are in need of foodstuffs and raw materials. Similarly if the hides are prohibited by foreign countries from being imported from India, the result will be that their factories will remain idle and will go out of work. They could be only worked if they purchase articles from other markets. But it may be noted that as the demand will come to other markets, the latter will again purchase the same articles from India and export them to other countries. By the enforced prohibition on India, India will not, in short, be the loser, but other countries will be put to loss, and greatly inconvenienced. Japan extinguished Lancashire and Bombay trade in yarn. She has left no ill-will behind her and Lancashire and Bombay are still her as good friends as ever.

It may be said that as a measure of retaliation, and with a view to destroy Indian industries, other countries will follow the system of dumping Indian markets with cheap articles. This is possible. Because other countries are rich enough. They have already gained profits in their various concerns and they can thus put surplus production in the Indian Market even at a cheaper rate or sometimes even at a loss. The remedy for this lies in our own hands. Our Tariff system should be sufficiently elastic so as to permit of immediate action and India will take a leaf out of the latest Law passed by America which gives the Executive Government power of complete prohibition of certain goods which in their opinion can be produced in the United States at a reasonable cost.

Imposition of import duties for Revenue purposes is not objectionable in any country of the world. It is a good source of income, and can be realised without letting the people know from whence the money comes. The percentage of the total income of the State derived from customs in India is very much lower than the percentage of such income derived in other countries. India being unadvanced in industries the suitability of indirect taxation in the fiscal policy in the country is much greater than elsewhere. Undoubtedly ample money will be secured by this measure. The only precaution we should take is that we should see that the money is properly used in promoting industries and all such things as would increase

the industrial efficiency of the people and many other things which will improve the lot of the poor agriculturists and other people of the country.

If import duties are imposed they are likely to raise the prices and consequently they are sure to fall on consumers. But import duty though it makes the article dearer, gives a country the industry which she needs. Heavy duties as said above should be levied on goods imported from other countries which are likely to compete with goods manufactured in India. If prices are risen everything in its turn must rise. Wages will be increased, cost of living will be increased. But there is no help. If we do not impose import duties our existing industries will be destroyed and there will be no encouragement to start new industries.

Tariff of export duties will be prejudicial to the interest of foreigners who will purchase articles from India.

Preferential Tariff and Export Duty.

21227. 7. Naturally with the determination of the question of fiscal autonomy, the question of preferential tariff has arisen, as India is a Dependency and is enjoying the protection under the flag of British Government. It is said that other dependent colonies such as Canada, Australia, New Zealand and South Africa have already adopted the policy of imperial preference. It is therefore a matter of serious consideration and we must go deep in the question especially when an important principle underlies the policy. We shall have to consider the condition of Indian Trade and Finance in their relation to our present tariff and also to see how they would be affected by any scheme of preferential tariff within the Empire and whether it will be to the advantage of India to participate in any such scheme.

To determine these questions it is necessary to give below tables and figures of exports and imports which will throw a flood of light on the subject.

TABLE I.

Exports of Articles from India for the year 1916-17.

Name of the Article.	Total value of the United Kingdom.	Total value of the British Empire.	Total value of Foreign countries.	REMARKS.
	£	£	£	
Rice not in husk .	2,135,231	8,732,707	3,844,658	Rice is used in Germany for preparing beer and starch.
Jwar and Bajar .	18,854	175,921	83,235	
Wheat . . .	3,138,420	3,417,468	2,652,503	
Wheat flour . .	2,121	120,047	133,214	
Coffee . . .	251,248	403,374	293,414	
Tea (Black) . .	8,665,618	9,447,589	1,724,384	
Tea (Green) . .	4,548	8,328	148	
Lac (button lac) .	8,840	26,279	52,756	
Seed lac . . .	11,354	..	34,978	
Shell lac . . .	205,686	212,959	1,487,605	
Stick lac . .	..	25,180	23,428	
Total lac . .	327,040	1,273,998	..	
Sugar . . .	..	..	..	
Cotton . . .	..	..	..	
Jute and Jute manufacture . .	..	..	..	
Indigo . . .	..	..	..	
Myrobalan . .	..	..	..	
Mawrah . . .	..	..	..	
Teakwood . .	..	..	..	
Til . . .	..	..	..	
Cotton seed . .	..	..	..	
Linseed . . .	..	..	..	
Oil seed . . .	..	..	..	
Spices . . .	..	..	..	
Raw hides and skins .	..	..	..	
Drugs . . .	..	..	..	
Rape seed . .	..	..	..	
Woollen clothes .	..	..	..	
Manganese ore .	..	..	..	
Iron . . .	..	..	..	

Total duty on exports is Rs. 4,83,24,000.
Total duty on import is Rs. 23,06,19,000.
Grand total is Rs. 31,94,85,000.

It is unnecessary to give the totals of export and import figures. They are already published in the Trade Statistics of British India.

India is in great need of money at present and the cry over the whole of India is "no funds available." There are various sorts of improvements needed in the country in industrial, commercial and many other matters. The Indian Ministers under the new scheme also find great difficulty in securing money to carry out the necessary improvements. Excise duty has suffered a good deal and the difficulty is being faced as to how the gap is to be filled up. Under these circumstances the Administration would endeavour to find money by imposing export duties and import duties with a view to secure finances and to protect the infant industries in the country. At present the only exports taxed are :—

(1) Raw Jute, (2) Jute Manufacture, (3) Rice, (4) Tea, (5) Raw hides and skins.

From the list of articles exported from India it will appear that there are many other important foodstuffs which have got the reputation of "Monopoly of India" such as (1) Wheat, (2) Wheat flour, (3) Myrobalan, (4) Coffee, (5) Lac, (6) Sugar, (7) Oil-seeds, etc. They are exported in large quantities and I see no reason why they should not be taxed with export duty. The income will be enormous and will not create any hostility or ill-feeling amongst other nations of the world, because other nations badly require them without which their mill hands will be out of employment. I also think that there is no fear of retaliation. Even if there be any retaliation the surplus will remain in the country with the result that the grain will be cheaper in India. It may be kindly noted that it is dearness of grain last year which was responsible for the discontent of the masses. Another source of income I propose is higher income tax on Rs. 20,000 and above.

As for cotton I leave the entire question to the mill owners of Bombay and Nagpur who are experts on this subject.

As for hand-loom industry the complaint is that the weavers do not find customers and their clothes are sold dearer than the mill made ones. They are in need of help in some form or other both from Government and public bodies. If co-operative societies are formed and sale agencies established in important cotton centres in Berar, it will be a great help to the poor weavers of the province. Hand-loom industry has stood and will stand the competition if they are helped in the way suggested.

Imperial Preference.

21228. 8. As already stated the question of Imperial preference is delicate and requires a very cautious handling. The Government of India in 1903 had occasion to discuss the question when a reference was made to them by Lord George Hamilton, the then Secreary of State for India in Council. The Government of India represented by Lord Curzon (I believe) in a despatch to the Right Honourable the Secretary of State—No. 324 (Finance Department), dated Simla, 22nd October 1903—has ably and exhaustably discussed the question and the conclusions arrived at in the despatch will be of utmost importance even on the present occasion. The despatch has exhaustively treated the subject. The exports and imports have been given, their relation with India and the effect of imperial preference, if introduced, on the Indian revenue and other kindred matters have been fully discussed. The able minute of the Hon'ble Sir E. G. Law, K.C.M.G., then Member of the Government of India, on this subject was also noted carefully. In fact all points which require a good deal of discussion and enlightenment at the present time were touched and important conclusions were arrived at. There is only difference of time between 1903 and 1921 but the position of the industrial development of India is just the same now as it was in 1903. I lay emphasis on these conclusions and request the kind attention of the Honourable Commissioners to them. These conclusions are as follows :—

(1) That without any such system India already enjoys a large—probably an exceptionally large—measure of the advantages of the free exchange of imports and exports.

(2) That if the matter is regarded exclusively from an economic standpoint, India has something but not very much to offer to the Empire. That she has very little to gain in return and that she has great deal to lose or to risk.

(3) That in a financial aspect the danger to India of reprisals by foreign nations even if eventually be unsuccessful is so serious and their results so disastrous that we should not be justified in embarking on any new policy of the kind unless assured of benefits greater and more certain, than any which

have so far presented themselves to our mind, etc.

I also rely on the despatch of the Hon'ble Sir E. Low. He says—" In my opinion it might be difficult to show that preferential tariff would prove directly prejudicial to Indian interests. But should we be urged to join in a preferential arrangement I think that it would be our duty to point out very strongly that if our export trade with foreign country in any way be prejudicial seriously we should run a very grave risk of disturbing the balance of trade now strongly in our favour, and we might find ourselves once more plunged into the deep sea of troubles arising from a depreciation of the exchange value for our rupee currency.

Imperial Preference in Colonies.

21229. 9. I know that the colonies of Great Britain such as Canada, Australia, New Zealand and South Africa have adopted the system of preferential tariff. I admit that India also should give some concessions to England as a mother country. But it may be noted that there is difference between the condition of India and the conditions of colonies.

In the first place it may be remarked that the right of fiscal autonomy was won by Canada from Great Britain as early as 1859 and import duties were laid on goods coming from foreign countries, Great Britain included. The principle of this tariff was adopted in favour of Great Britain only in 1907-08 and a general scheme of tariff now in force was laid down in that year. In Australia the scheme came in force in 1907-08 and in New Zealand the tariffs were laid down in 1903. It is not known when tariffs were introduced in South Africa.

It may be noted, Sir, that the right fiscal autonomy was won by Canada in 1859 and tariffs were introduced in 1907-08. Canada enjoyed the beneficent advantages of fiscal autonomy for 48 years and the principle of tariff was accepted after enjoying the right for a long period, during which even Canada levied import duties on goods coming from Great Britain. India has not as yet won the right of fiscal autonomy. Even in colonies tariffs are so arranged as to give ample protection to industry of the colonies even as against the United Kingdom.

A writer of the " Times of India" has said—if you give imperial preference, it means that you must buy articles dearer in preference to cheaper articles coming from abroad. Thus there will be a certain loss to this country.

Under these circumstances I am humbly of opinion, with due respect to the higher authorities or non-officials who may differ from me, that time has not yet come for adopting the system of preferential tariff to India. But undoubtedly the present occasion is suitable for granting to India the right of " fiscal freedom " in commemoration of the momentous visit of His Royal Highness the Prince of Wales to India.

If my proposals be accepted a sub-committee may be appointed to determine (1) the names of articles on which export and import duties are to be levied, (2) the tariff valuation, (3) the tariff rates at which the goods are to be taxed.

Oral Evidence, Bombay, the 27th February 1922.

21230. *The President.*—*Q.* You are a member of the Advisory Board of Industries, Central Provinces?

A. Yes.

21231. *Q.* You make a statement to the effect that India has now attained the position of a *partner* in the British Empire and has got the same rights and privileges which the people in the Dominions and the British Colonies are enjoying at present. On what do you base your statement that India is enjoying the same rights and privileges as the British Dominions?

A. That is what I remember to have read in the newspapers.

21232. *Q.* You say: "She has now attained the position of a partner in the British Empire and has got the same rights and privileges which the people in the Dominions and the British Colonies are enjoying at present." Does India enjoy all the rights and privileges conceded to the Colonies?

A. I did not mean to say that she has actually become such a partner. I presumed from what the delegates and others admitted in the Imperial Conference that India has come to be looked upon as a partner in the British Empire.

21233. *Q.* You say they have got the same rights and privileges. I suppose when you say that, you do not know anything definite about it?

A. I suppose that when India is admitted as a partner the same rights will be given to India also.

21234. *Q.* You say: "Different nations in different circumstances and in different states of growth require different treatment and when able to legislate for themselves have on the whole, making allowances for human failings, usualy adopted the measure of free trade or protection suitable to their condition. But chief contradictions appear when one nation controls another." What do you mean by "one nation controls another"?

A. When India's fiscal policy is controlled by Britain, it is difficult for India to manage her own affairs.

21235. *Q.* So, you think that because Indian fiscal autonomy has been controlled by Great Britain India has not been able to lay down a policy which is suitable to her own conditions in her own opinion.

A. That is my idea.

21236. *Q.* You say in the next sentence: " In fact, what is really needed at present is 'Fiscal Freedom' to India. That is the Indians and the Indian legislators should have power—complete power—to levy taxes and spend the income to the advantage of the country according to the wishes of the Indians themselves." That is more political than fiscal, is it not?

A. Yes.

21237. *Q.* And would you advocate compelete freedom to the Indian legislatures in all fiscal matters?

A. That is my opinion, of course.

21238. *Q.* In paragraph 5: "Similarly there must be levied heavy import duties on manufactured goods imported by foreign countries which will also yield a huge income and will as well help to protect Indian industries." The position you take up is that India should levy duties on imported manufactures in order to enable her to manufacture those articles herself?

A. Yes.

21239. *Q.* What do you mean by heavy duties? Do you mean duties sufficient to foster Indian industries?

A. Yes.

21240. *Sir Manakjee Dadabhoy.*—*Q.* Why do you say that India has got a monopoly in the supply of wheat?

A. Because a large quantity of wheat is exported from India.

21241. *Q.* But we have not got the monopoly. There is Australian wheat?

A. But that is inferior to Indian wheat.

21242. *Q.* Australian wheat is inferior to Indian wheat! I always thought Indian wheat was inferior to Australian and Argentine wheat. Do you know this definitely?

A. The thing is this: during the last four years Indian wheat was exported and in its place Australian wheat was imported into India. I saw Australian wheat at Ellichpur.

21243. *Q.* Are you in favour of export duties or not?

A. I am in favour of export duties.

21244. *Q.* Also on foodstuffs?

A. Especially on foodstuffs, of course, surplus foodstuffs may go to other countries. If our foodstuffs go out unrestricted, then people here will be under the difficulty of purchasing dear grain.

21245. *Q.* You think that export duties will have the effect of keeping down the price of foodstuffs?

A. Yes.

21246. *Mr. Jamnadas Dwarkadas.*—*Q.* In your reply to Question No. 5 you say that heavy protective duties should be imposed on those foreign made goods only which are likely to compete with Indian made goods, for example dyes, and so on. Will you kindly name the places where dyes are being made in India?

A. Well, I cannot name the places. I only know that in some places dyes are made.

21247. *Q.* You are vegetable dyes probably referring to. It is not an industry on a commercial basis to justify protection. It differs from aniline and alizarine dyes.

A. I admit that. I was under the impression that the dyes locally made were not able to be sold on account of competition.

21248. *Q.* In answer to Sir Manekjee Dadabhoy you said that export duties should be levied on foodstuffs the one reason being that it would bring down the prices of foodstuffs. What effect would it have on the grower of foodstuffs if he is not allowed to export his foodstuffs?

A. Of course the prices will be reduced, I admit.

21249. *Q.* Therefore his attention will be diverted to growing commercial crops instead of foodstuffs? Won't it?

A. That will be. The cheaper the cost of grains the people should be very much satisfied.

Mr. Mant:—

21250. *Q.* You said heavy export duties would reduce the prices of foodstuffs, isn't it?

A. If more than the surplus is exported.

21251. *Q.* Your heavy export duty would restrict export and bring down the prices of foodstuffs?

A. Yes.

21252. *Q.* Mr. Jamnadas Dwarkadas asked you whether the agriculturists would not then grow other crops in place of the foodstuffs if you reduce the price of foodstuffs.

A. What other crop can he grow? I don't think he will be able to produce other crops.

21253. *Q.* He may grow cotton, oilseeds.

A. There are already cotton and oilseeds in plenty.

21254. *Q.* Have you any connection with agriculture?

A. I have got my own property. I have no other connection.

21255. *Q.* Then I won't trouble you further.

Mr. Birla:—

21256. *Q.* On page 3 you say from the list of articles exported from India it will appear that there are many other important foodstuffs which have got the reputation of "Monopoly of India" such as wheat, wheat flour, myrabolum, coffee, lac, sugar, oilseeds, etc. Do you think they are the monopolies of India?

A. I have just answered Sir Manekjee Dadabhoy.

Mr. Rhodes:—

21257. I think your explanation is so very full that I have nothing to ask you. But I should like to thank you very much for the courteous way in which you have dealt with the racial question which has not always been done by some other witnesses. I very much appreciate the tone in which you have couched your remarks.

Mr. T. V. Seshagiri Ayyar:—

21258. On the question of hand-loom industry, you say there should be some sort of protection. What kind of protection would you give? The only aid that you suggest is the formation of co-operative society, isn't it?

A. Yes.

21259. *Q.* Will you give any other kind of protection?

A. Well, agencies may be established.

21260. *Q.* Suppose the present excise duty of 3½ per cent. is retained. Would it not protect the hand-loom industry?

A. I don't think it will.

21261. *Q.* Why?

A. Because hand-loom made cloth is not equal in quality to machine made cloth.

21262. *Q.* That is why they require greater protection?

A. The handmade cloth being rough is not liked by the people.

21263. *Q.* Have you had much experience in the hand-loom business?

A. There are hand-looms in the city. They complain that their cloths are not bought by the people. They say that there is no great demand for their cloths. But during the last one or two years there has been a great demand.

21264. *Q.* Why?

A. On account of the swadeshi movement. Before that they were complaining that their goods were not bought.

Sir Montague Webb:—

21265. *Q.* In your first paragraph you mention that you were a manager of the Berar Match Manufacturing Factory.

A. Yes.

21266. *Q.* Can you tell me why the match factory did not succeed?

A. I have got a statement which I placed before the Industrial Commission. First of all the wood-supply was not suitable. It proved to be of bad quality. Secondly we did not get men who had actual experience in match manufacture. There was want of expert management. Another reason was want of good apparatus. We had to borrow the apparatus and we had to pay Rs. 30 and Rs. 40 per month and we could not get as many work men as we needed.

21267. *Q.* Do you think the factory would have succeeded if you had an import duty to help you?

A. I think so, because the Japan matches came in competition with us. If we had import duty on Japan matches we would have succeeded to a certain extent.

21268. *Q.* Notwithstanding the bad management?

A. Yes we would have succeeded.

Witness No. 133.

Written statement of the Alembic Chemical Works Co., Ltd., Baroda Camp, dated the 19th January 1922.

21269. 1. We generally favour a Policy of protection under the present economic conditions of India.

21270. 2. We consider that a well considered tariff would provide a suitable form of taxation but if fresh taxation be necessary we would not prefer using the tariff as a primary source of revenue.

21271. 3. A tariff should never be treated as a primary source of revenue.

21272. 4. We consider that the present tariff should not be continued on the existing principles.

21273. 5. The existing tariff policy has had a very injurious effect on the industrial development of India in the past, and if the present tariff policy be continued we may give up all hopes of any industrial development and we shall have to wait for suitable opportunities in long continued world wars for the industrial development of India.

21274. 6. We do not approve, in theory or in practice of the imposition of Excise duties to countervail import duties on any article whatsoever.

21275. 9. We do consider that the tariff should be framed primarily with the object of fostering Indian Industries.

The advantages of such a policy in our opinion are :—

(*a*) That the Industries, which cannot stand in their infancy the competition of similar industries established in foreign countries years ago and which are now in an adult state of development, would be protected until they can stand on their own legs. Any Industry to be successful has to weather a lot of difficulties in the infancy and require some kind of protection, natural, or artificial.

(*b*) That the industries for which we have special natural advantages would be taken up by the Indian people as it would give them a good margin of profit due to the rise in price of the imported articles due to the increased import duty.

21276. 10. We hope to see India becoming in time independent of other countries in regard to most of our requirements of manufactured goods. There may be certain articles for which India will have to depend upon foreign countries. For instance in certain industries depending upon a cheap source of minerals, unless these minerals are discovered in India in the future. But even if such minerals are not found in future it may be possible for us to import them for fabrication into manufactured products

and a time may come when India may be independent of other countries in respect of requirements of all manufactured goods. If it is possible for England to develop the cotton textile manufacture without producing an ounce of cotton on the English soil it may be possible for India with such varied climates and conditions to do things which ma. appear to be beyond possibility at this moment.

21277. 11. For the purpose of developing Indian Industries we would not favour the imposition of protective duties on all imported manufactures indiscriminately.

21278. 12. We would select for protection particularly:—

(*a*) Those goods for the manufacture of which we have certain advantages.

(*b*) Those products which are necessary for the organic life of the nation and the source of which may be cut off either through cutting off of the communications through a war or by any other action taken by the country from which they are imported in India.

(*c*) Those which are more or less necessaries of life. Apart from the question of protection of Industries we would favour a very high import duty on those products which are luxuries and those which are positively harmful to the people of the country.

21279. 13. We do not only consider it desirable but also necessary to establish new industries by protection. The principle under which they should be selected are the following :—

(*a*) All necessaries of life.

(*b*) All those which are necessaries for the organic life of the nation.

(*c*) All those for which we have natural advantages, either in the matter of raw materials, climate, cheap labour, habits of the people or the peculiar economic condition prevalent in the village life of India.

21280. 14. Industries which are likely after a period to be able to face foreign competition without the assistance of a protective tariff may be protected up to the period required to bring the industries in a position to stand on their own legs but if the same industry involve manufacture of the articles which are necessaries of life or necessaries for the organic life of the nation they should be given, if necessary, a continuous assistance by a protective tariff.

21281. 15. We would favour granting of special protection against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions. The exact facts in such instances should be ascertained by all means at our disposal. Such goods should be made to pay a duty which would be equivalent to our ordinary tariff plus such amount which would be equal to the bounty or subsidy or any other concession that they may be getting.

21282. 16. We give the greatest importance to hand industries and specially to hand spinning and weaving of cotton and wool and pressing of oil in Ghanies or handpresses as particularly suitable to the economic life of India. We would wish all possible hand industries to be developed, helped and maintained.

21283. 17. There would be danger as in any other country, of protection leading to combination among the manufacturers in order to maintain a quasi-monopoly price. We maintain that there is a tendency among the manufacturers to take such a step even in countries where there is no protection.

The best means in our opinion of fighting such a combination are:—

(*a*) To make such combination illegal by law.

(*b*) To impose a heavy profits tax to prevent making of profits higher than a reasonable one.

21284. 18. We expect that a protective policy would induce British and foreign industrial firms to establish themselves in India in order to get the benefit of the protective tariff. In such cases, inducements should be given to keep the profits in India and the drain of the profits to countries outside India should be prevented by other means.

21285. 19. Conflicts of interest detailed in this question, if they arise at all, should be adjusted and settled primarily from the point of view of the consumer. But we think with a profit tax no manufacture would be tempted to make an abnormal profit whether at the expense of the consumer or the subsequent manufacturer of his products.

21286. 20. An import duty would surely raise the prices to a certain extent and a part of it at any rate would have to be paid by the consumer.

21287. 21. But such a rise in price may not be permanent.

21288. 22. But in spite of the difficulty of the rise in price to the consumer we would advocate protection of the Indian Industries. The slight extra amount that the consumer will have to pay is really a kind of insurance premium for a future flourishing condition of his country. It is a fallacy to consider that the interests of the manufacturer and consumer of a country conflict. Both manufacturers and consumers share in the prosperity of the country whether brought about by Industries, Agriculture or Mining. There is no such thing as a purely consumer except a beggar. The consumer in some way or the other becomes a producer of wealth.

21289. 23. In considering the above we would certainly have regard to the point whether the protected article is a necessary of life. Under this class would come the following:—

(*a*) Medicines and medical products.
(*b*) Clothing.
(*c*) Paper.
(*d*) Oils and oil products.
(*e*) Sugar and sugar products.
(*f*) Leather and leather products.

21290. 24. In the case of rise of prices due to increase in the tariff rates we are confident that there would be a corresponding rise in the wages of —

(*a*) The Industrial wage earner ;
(*b*) Agricultural wage earner ;
(*c*) Middle classes ;

as has been demonstrated in the last two or three years.

21291. 25. A judiciously arranged protective tariff will not very much affect the foreign trade of India and if it does affect to a slight extent, it would tend towards lessening the export of some of our raw materials, (the major portion of our exports is raw materials) which would consequently be cheaper in India and therefore would indirectly help the industrial development. This would result in a more brisk internal trade which is the real index of the prosperity and economic growth of a country.

21292. 26. We look upon the protective tariff purely from the point of view of our own development and we would not like to use it as an instrument for bargaining with other countries. If other countries look upon our tariff in the light of an instrument of bargaining, let them do so.

21293. 27. We would not like to discriminate between our customer countries for any reason.

28. In any case the tariff should be made more detailed than it is at present.

21294. 29. We do not see the necessity of any kind of permanent organisation for investigating the claims of various industries to protection or for the periodical readjustment of tariff rates. This should be done from time to time with the aid of usual administrative machinery.

21295. 30. In our view the function of the export duties is two-fold :—

(*a*) To prevent or decrease the export of certain materials which it is necessary to retain in India.

(*b*) To raise revenue, in which case export duty should as far as possible be levied on products for which the country has a monopoly.

21296. 31. Imposition of export duties would certainly have some slight effect on our export trade especially in articles for which India has no monopoly but trade should not be looked upon as an end in itself. There are a number of things to which trade sometimes has to be subordinated. Export duties can be imposed on articles for which we have a monopoly, as we have already said, without any injury to the export trade ; for instance on jute, tea, etc.

21297. 32. We have already said in answer No. 30 that it is necessary to impose export duty on Raw materials specially—

(*a*) For the purpose of manufacture as for instance oil seeds and raw hides.

(*b*) For retaining the food grains in the country to guard against famine due to failure of crops, as for instance wheat and rice.

(*c*) For revenue purposes as for instance jute and tea.

An imposition of export duty on materials specified would have some effect on producers of raw materials, inducing them to produce certain articles in a smaller quantity and the others in a larger quantity. The general consequence on the country would be that the acreage under various crops will be readjusted according to requirements. One need not be frightened by prospective difficulties. The country has come out unscathed through six or seven abnormal years.

21298. 33. We consider that it would be an advantage to impose an export duty on foodstuffs with a view to control their export but we do not think that this would reduce the prices of the foodstuffs materially. Our chief object in recommending control of export of food grains is to retain them in India. If the prices of food grains are lowered by such a step there could be an adjustment in the crops raised by the Agriculturist; as a matter of fact the acreage under various crops fluctuates every year according to the ruling prices for the products which vary due to causes other than the control of export, *viz.*, failure of rains, fire, war, etc.

21299. 34. We do not believe in the policy of retaliation of any kind. Retaliation on our part would only multiply retaliation on the part of other countries.

21300. 35. We are totally opposed to the idea of Imperial Preference. We wish to trade on friendly terms with all countries in the world, without discrimination.

21301. 36. If Imperial Preference is some how forced on us we would certainly differentiate between the policy to be adopted towards the United Kingdom and the colonies specially against South Africa, Fiji and such other colonies who refuse to treat Indians as fellow-members of the Imperial Commonwealth.

21302. 37. We anticipate a material loss to India from a system of Imperial Preference. In pre-war days major portion of our export trade was with countries outside the British Empire. We apprehend that all our customer countries would retaliate against India.

21603. 38. As we have already said we are opposed to Imperial Preference. We believe that if there is any country against which we must protect our industries it is England.

21304. 43. We are interested in the following industries :—

(*a*) Rectified spirits and spirituous products.
(*b*) Pharmaceuticals and medicinal preparations.
(*c*) Manufacture of Ether.
(*d*) Denatured and Industrial alcohol, for use in Industries and motor fuel.

21305. 41. The spirit Industry has the great natural advantage for development in India of a cheap and abundant raw material, and the Pharmaceutical Industry on account of the abundance of drugs in India.

21306. 45. We consider that this Industry is essential for the national security and of substantial importance to the economic prosperity of India.

21307. 46. This Industry is practically unorganised in India being forced to remain in an infantile stage. The Excise and the tariff policy have worked injuriously on this industry, and have kept it in an unorganised condition.

21308. 47. We chiefly depend upon the Indian market for the sale of our output.

21309. 48. We have had to contend with competition chiefly from Java, and in the pre-war days with Java and Germany in the matter of Rectified spirit, and with England and Germany in the Pharmaceutical and medical preparations.

21310. 49. In the case of Rectified spirit and alcohol, following special circumstances have enabled Java manufacturers to compete with us in India.

(*a*) A raw material of practically no value on account of its being a by-product of another flourishing industry.
(*b*) A cheap sea freight.
(*c*) Freedom to move their product to any part of India after once paying the Tariff duty at the port.

On the other hand.

(*a*) Our raw material being the product of a tree has an independent value of its own though small.
(*b*) The rail freight is always higher than sea freight and in India the rail freight is peculiar by subject to queer policy on the part of the Railway management as well as the Government. It will be surprising that it is cheaper to convey spirit from London to Bombay than between Baroda and Bombay.
(*c*) Although we are situated in India we are charged a sea customs duty. While we pay the same duty as the importer from Java or any other foreign country we are not allowed to import the spirit to any part of the country even after paying the full customs duty.

We are thus not only not given the treatment the Java importer receives but we are positively placed at a disadvantage as compared to an importer for instance from Patagonia or Terra-de-la-Fuego. This is Imperial Preference with vengeance.

With regard to Pharmaceutical preparations foreign manufacturers particularly English manufacturers are our chief competitors. In this case also, they have been enjoying certain advantages over us in India as in the case of Rectified spirit. The foreign manufacturers can move their goods to any place in India without restriction after once paying the tariff duty. In our case we are restricted from moving our goods to any place we like even after paying the tariff duty and we are obliged to take our goods, at the first instance, only to Bombay and Ahmedabad.

Besides this disadvantage under which we are suffering there is another. The foreign manufacturers may pay the duty only on a declaration that a certain product contains a certain amount of alcohol while in our case a sample of each preparation is taken for analysis and we are made to pay on such samples.

21311. 50. We maintain that this industry should only be treated with justice if not with protection and we propose that the tariff duty should be abolished and in its place an excise duty equal to one-third of the Tariff duty may be levied, as the Bengal Government have already done, in justice to Bengal Industries. Apart from justice this industry would need protection.

21312. 51. We being in India we ask only an excise duty to be charged on the alcoholic contents of our preparation If this Excise is lower than the tariff rate as suggested above, this industry will not need protection for an indefinite time.

21313. 52. This industry does suffer from dumping. The remedy is a heavy tariff on all imported spirits and spirituous products.

21314. 56. The industry has received no benefit from the successive enhancements of the tariff for the simple reason that we too have to pay the tariff, queer as it may appear. The effect has been that we are in the same place as we were ten years ago without being able to make any progress in the industry.

21315. 58. The spirit, the finished product of our industry is used very largely in the manufacture of medicines, Tinctures, Extracts, Liniments, Essences, Spirits, Cologne Water, Lavender, Perfumery, Essential oils, Alkaloids from the vegetable drugs, Potable spirit, Methylated spirit, varnishes and Lac, Lacquers, etc. If there be ten more distilleries of treble the size of our factory, they would still be able to consume all their alcohol only in India.

21316. 59. We generally use mahua, flower of a tree, as our raw material but we have often used molasses, a by-product of the sugar industry. We hope to see the sugar industry developed to a large extent in India, as the outcome of the Sugar Commission appointed by Government about two years ago when we may be able to depend more on the molasses than on mahua as our raw material.

21317. 60. We would prefer a system under which industries receive varying amount of protection in accordance with their needs.

Oral evidence of the Alembic Chemical Works Co., Ltd., Baroda, dated Bombay, 28th February 1922.
P. S. R. Aiyar.

(Mr. Nagakatti generally answered most of the questions. Wherever Mr. Amin answered his name is specially mentioned.)

21318. *President* :—Gentlemen, do you represent the Alembic Chemical Works Co., Ltd.?

A.—Yes.

21319. *Q.*—Your factory is in the Baroda State ?

A.—Yes.

21320. *Q.*—At this late hour I do not want to question you in any great detail. I will confine myself to one or two points that arise out of your statement. In answer to question 18 you say 'We expect that a protective

policy would induce British and foreign Industrial firms to establish themselves in India in order to get the benefit of the protective tariff. In such cases, inducements should be given to keep the profits in India and the drain of the profits to countries outside India should be prevented by other means. Will you please say how you would do this ?

A.—By having a profits tax on foreign established firms or by putting a tax on foreign capital.

21321. *Q.*—In what way would you tax ?

A.—By putting a special tax on the foreign capital invested in India.

21322. *Q.*—You are interested in the following industries, rectified spirits and spirituous products, pharmaceuticals and medicinal preparations, manufacture of ether, denatured and industrial alcohol, for use in industries and motor fuel ?

A.—Yes.

21323. *Q.*—In answer to question 46 you say 'the excise and tariff-policy have worked injuriously on this industry and have kept it in an unorganised condition.' Why in an unorganised condition ?

A.—First of all the industry itself has not grown to the extent to which England has developed her industry. Besides in India the industry has not organised.

21324. *Q.*—How has the tariff policy prevented its organisation ?

A.—The industry has not been allowed to grow and therefore the industry has not organised.

21325. *Q.*—In answer to 49 you say that 'in the case of rectified spirit and alcohol following special circumstances have enabled Java manufacturers to compete with us in India ..... (c) freedom to move their product to any part of India after once paying the tariff duty at the port.' Don't you enjoy the same freedom ?

A.—No.

21326. *Q.*—I will come to it later. On the other hand you point out various disadvantages that you suffer. 'The railway freight is always higher than sea freight and in India the rail freight is peculiarly subject to queer policy on the part of the railway management as well as the Government.' What do you mean by queer policy ?

A.—Sometime ago we found that railway freight between Bombay and Ahmedabad was less than the freight from Bombay to Broach.

21327. *Q.*—What is the difference in miles ?

A.—I think nearly half the distance.

21328. *Q.*—Did that affect your industry ?

A.—Not particularly our industry.

21329. *Q.*—You then refer to the policy ?

A.—Yes.

21330. *Q.*—You say it is cheaper to convey spirits from Baroda to Bombay ?

A.—(Mr. Amin). Baroda is about 250 miles; it costs us about Rs. 42 per ton to carry spirits from Baroda to Bombay.

21331. *Q.*—What is the cost of carrying a ton from London to Bombay ?

A.—(Mr. Amin). Rs. 37.

21332. *Q.*—So you pay an excess amount of Rs. 5 for a distance of 250 miles as against six thousand miles of sea transport ?

A.—Yes.

21333. *Q.*—In paragraph 49 (*c*) you say 'although we are situated in India we are charged a sea customs duty. While we pay the same duty as the importer from Java or any other foreign country we are not allowed to import the spirit to any part of the country even after paying the full customs duty.

'We are thus not only not given the treatment the Java importer receives but we are positively placed at a disadvantage as compared to an importer for instance from Patagonia to Terrade-la-fuego. This is Imperial Preference with vengeance.' Will you please explain this ?

A.—Although our factory is in Baroda we are in India. The manufacturer in Java, a country outside the British Empire, gets certain concessions. He can move his products to any part of India after once he pays a tax, the tariff duty, at the port. But we are allowed to import our products only in one place, say Ahmedabad or Bombay, and even if we pay duty at those two places we are not allowed to move our product to any part of India. We have got an instance in the Punjab. The Punjab Government will not allow the import of our articles even after a duty is paid in their province.

21334. *Q.*—Is it on temperance grounds ?

A.—It is not on temperance lines.

21335. *Q.*—I cannot understand why the provincial Government should stop the importation of your articles if that does not apply to Java also. Is it because you manufacture in India ?

A.—There is another firm in Shajehanpur which manufactures spirituous products and they are allowed to import to Punjab and we are not. The name of the firm is Messrs. Carew & Co., in the United Provinces.

21336. *Q.*—Surely the Government cannot be acting arbitrarily. Can you assign any reasons ? Have you got any official letters ?

A.—I will read out an extract. Our Agent at Karachi sent a consignment of our spirituous preparations to Ludhiana. The Excise Officer of the Punjab Government did not allow the sale of our products but our Agent was ordered to take it back to Karachi. We submitted our case to the Bombay Government, the Government of India and the Punjab Government. Bombay Government sent us a reply saying that under section 384 of the Punjab Excise Manual the import of Indian made spirit cannot be allowed into the Punjab except that made at Messrs. Carew and Company's Rosa Distillery in the United Provinces and asked us to apply direct to the Punjab Government. Punjab Government when moved, replied that the Lieutenant-Governor regrets he is unable to relax the prohibition. The Government of India, Department of Commerce and Industry, replied that the matter is still under the consideration of the Government of India. We moved the Government of India in 1917 and they say that it is still under the consideration of the Government of India.

21337. *Q.*—This is very curious if it is a fact.

A.—Well, Japan and Java spirits are allowed.

21338. *Q.*—Then it is more strange. Japan and Java spirits are in a better position than the spirits manufactured in India. You next go on to say 'the foreign manufacturer may pay the duty only on a declaration that a certain product contains a certain amount of alcohol while in our case a sample of each preparation is taken for analysis and we are made to pay on such samples'. Is mere declaration enough in the case of the foreign importers ?

A.—Yes.

21339. *Q.*—This is a very curious statement. Apart from your difficulties, you propose that the tariff duty should be abolished. What do you mean by tariff duty ?

A.—It is not exactly tariff duty. It is only a duty at tariff rates.

21340. *Q.*—Will you please explain that ?

A.—The duty that the foreigners have to pay on alcohol is Rs. 18-12 per proof gallon and we Indian manufacturers are made to pay the same duty. What we ask is that the duty that we have to pay should be reduced.

21341. *Q.*—As a protection to your industry ?

A.—Yes.

21342. *Q.*—In its place you recommend 'an excise duty equal to one-third of the tariff duty may be levied as the Bengal Government have already done, in justice to Bengal industries. Will you explain that ?

A.—There are certain distilleries recently started in Calcutta, I think about seven or eight months ago. The Government of Bengal reduced the duty on Bengal made spirits to Rs. 5 per proof gallon instead of Rs. 18-12. If we are given the same concession, the question of protection for the spirit industry may not arise.

21343. *Q.*—Is this rectified spirit used for industrial purposes only or for drinking purposes also ?

A.—It is used for drinking purposes, for pharmaceutical preparations and also for several other purposes such as the manufacture of varnishes.

21344. *Q.*—My point is that the Bengal Government must have reduced the tax for such quantity of alcohol as is actually used for industrial purposes.

A.—Yes, not on the edible spirits.

21345. *Q.*—You want the small protection in the interests of industry ?

A.—Yes.

21346. *Q.*—In answer to question 52 you say that this industry suffers from dumping. Will you tell me what is meant by that ?

A.—That is a reference to what is happening or what used to happen in Germany before the war. In the case of the manufactured spirit of a particular kind the German manufacturers could sell the spirit in India, at a cheaper rate than they could in Germany.

21347. *Q.*—Does that exist now ?

A.—We don't know. We are dealing with dumping which Germany had in previous years.

21348. *Q.*—Is there any dumping now and do you want any special protection against that ?

A.—Yes, we have not got exactly dumping but a tax called drawback on English-made spirit. The manufacturers of spirit in England get 3*d.* per gallon of plain spirit and 5*d.* per gallon of compounded spirit that is exported to India as a drawback.

21349. *Q.*—Is it drawback or refund ?

A.—They call it drawback, and they get 5 per cent. on all the spirits exported to foreign countries. In every case if the spirit is exported to other countries they get only 3 per cent. but for India they get 5 per cent. extra ; that is, the manufacturer who has to send one hundred gallons to India may send five gallons more. This is allowed on account of the high temperature of the country. The duty will be calculated only on the one hundred gallons.

21350. *Q.*—This is to provide for evaporation ?

A.—Yes. We suffer from the same temperature and we should be given the same consideration.

21351. *Sir Edgar Holberton* :—*Q.* The first part of your paper is written on general points with particular reference to your own trade ?

A.—Yes.

21352. *Q.*—You generally favour a policy of protection ?

A.—Yes.

21353. *Q.*—You really only trade in this particular industry ?

A.—Yes.

21354. *Q.*—Had you any special reasons for starting your industry in Baroda ?

A.—We have got some concessions from the Baroda Government in the use of alcohol for research purposes. We are allowed to send alcohol to the laboratory without any duty.

21355. *Q.*—How much do you turn out a year ?

A.—About one lakh gallons of rectified spirit. It is largely sold in the form of methylated spirit, for burning purposes.

21356. *Q.*—It is not supposed to be drunk ?

A.—No, it is poison.

21357. *Q.*—Besides that you deal in pharmaceutical and the manufacture of ether ?

A.—We have not started manufacture of ether, but we are going to instal a plant for the manufacture of ether in a few days.

21358. *Q.*—Have you succeeded in the manufacture of fuel oil ?

A.—We have.

21359. *Q.*—Most of it ?

A.—Yes.

21360. *Q.*—Can you do it cheaper than petrol ?

A.—Not at the present prices of petrol. If we find Mahua cheaper it should certainly be cheaper than petrol.

21361. *Q.*—I am extremely interested in your difficulties which seem to be very extraordinary. There is no further question I have to ask.

21362. *Mr. Narottam Morarji* :—*Q.*—Would you prefer the import of raw materials for manufacture of articles here or would you prefer the importation of the manufactured articles themselves ?

A.—Do you mean raw material from foreign countries.

21363. *Q.*—Yes ?

A.—Yes.

21364. *Q.*—Or semi-manufactured articles ?

A.—Yes.

21365. *Q.*—In answer to the question put by the President you said that you were not allowed to send your spirits to the Punjab ; but are the spirits coming from the Punjab into Bombay allowed to be imported free ?

A.—They are allowed to be imported free without any tax.

21366. *Q.*—You are against excise tax ?

A.—Yes.

(Mr. Amin). We are against charging us excise duty at the tariff rates.

21367. *Q.*—Then what about the surtax ?

A.—It would mean the same thing to us. We want a difference in the duty of the foreign manufacture and the Indian manufacture. If it can be done by an addition to the tariff rates, it would mean the same thing to us. It would give us protection.

21368. *Q.*—You have started a factory in Bombay ?

A.—Not for the manufacture of spirit but for utilisation of spirituous products in Bombay.

21369. *Q.*—You have removed your factory to Baroda ?

A.—We started manufacture of spirit in Baroda. In Bombay before that you started a factory where spirituous products were manufactured. At that time it was a very small one.

21370. *Q.*—Have you got dividend ?

A.—Yes, three times.

21371. *Q.*—What dividend ?

A.—We declared during the war time only.

21372. *Q.*—Does not your factory lose much money in mahua?

A.—No.

(Mr. Amin). Last year we had a loss, because the rates were very high.

21373. *Q.*—You could not sell your spirits ?

A.—No.

21374. *Q.*—Have you made representations to the Railway Board for reducing railway freights ?

A.—We made several representations to the Railway Board for reducing the rate for mahua as well as spirit, they said they could not do it.

21375. *Q.*—Does the State give you any concessions ?

A.—No special concessions except for the supply of laboratory research work.

21376. *Q.*—I suppose you do not recognise any difficulty because you have started a factory in a native state.

A.—We really feel that we have less trouble in Baroda than the British manufacturers.

21377. *Q.*—In what way ?

A.—There is a manufacturing firm in Ahmedabad for instance. It has to pay duty on all alcohol that is taken out from the distilleries for manufacture and it is allowed only 5 per cent. refund for loss in manufacture, while in Baroda we have to pay only a duty on the alcoholic contents, the final alcoholic contents, and the loss in manufacture is not charged to duty ?

21378. *Q.*—You say the foreign manufacturers may pay the duty only on a declaration that a certain product contains a certain amount of alcohol while in our case a sample of each preparation is taken for analysis and we are made to pay on such samples. Others are not made to pay for the losses.

A.—Nobody has to pay for the losses. We have to pay for the sample also. We have to pay duty on the sample also.

(Mr. Amin). We have a hundred kinds of medicines ; each sample means a large amount of duty for us.

21379. *Q.*—Does the Government buy articles from you?

A.—Do you mean British Government.

21380. *Q.*—Yes ?

A.—Yes, sometimes medical stores. They buy rectified spirits from us.

21381. *Q.*—Do they buy in large quantities ?

A.—They buy ten thousand gallons per year. That is only one-tenth of our production.

21382. *Q.*—Does the Baroda Government also buy from you ?

A.—The Baroda Government buy all their rectified spirits from us.

Sir Montagu Webb :—

21383. *Q.*—You say in reply to Question No. 56 that your industry has received no benefit from the successive enhancements of the tariff for the simple reason that you too have to pay the tariff, queer as it may appear. We too have to pay the tariff. Do you expect to be treated specially ?

A.—Since 1910 the tariff had been raised twice once in 1916 and then in 1921, and we have to pay the increased rate of duty.

21384. *Q.*—How could that it be ? By tariff you mean the excise duty ?

A.—The Bombay Government charge excise at the tariff rate.

21385. *Q.*—This is a countervailing excise duty.

A.—No, it is not a countervailing excise duty.

21386. *Q.*—Do you pay a duty when you export out of Baroda ?

A.—In the British territory.

21387. *Q.*—When you import and pay an import duty ? You say that the industry has received no benefit from the successive enhancements of tariff. I take it that you mean the import tariff. You pay this excise duty at the same level as the tariff rate.

A.—Excise at the tariff rate, yes. The point is not perfectly clear to you. In certain instances we are told by Government that Baroda is a foreign territory and in other matters we are treated as if Baroda is a part of British India. For instance in the case of methylated spirit, we are given the same treatment as any other manufacturer in India, while the foreign manufacturers of methylated spirit have to pay 7½ per cent. *ad valorem*, we have not to pay anything. But when it comes to a question of spirituous products, we are told that Baroda is

a foreign territory according to the Tariff Act which they charge as it suits them. (Mr. Amin) Here is a typical case "As our liquors are treated by the Government of India as coming from foreign territories by their Notification of the 11th January 1870 and as they are subject to the payment of Indian Tariff Duty as the liquors coming from outside India are, the unnecessary restriction of asking the shopkeepers to keep a separate account of our liquors should be removed and thus we should be put on level with importers of spirits from foreign countries. This simple request was refused by the Excise authorities of Bombay Government and they informed us by letter No. 1419, dated 5th October 1917, that our request cannot be granted as Government have directed the keeping of separate statistics of consumption of imported and Indian made foreign liquors and Baroda forms part of British India for purposes of Abkari Act. This is contrary to Government of India letter No. 2208 of 10th March 1921, and creates two different positions for us for two different purposes. We would submit that if for the Abkari Act Baroda formed part of British India, we should be given all the benefits considering our factory to be situated in British India and it Baroda was to be defined as foreign territory our products should have all the advantages of foreign territory products and that an invidious distinction as Baroda product and foreign territory product should be removed ".

21388. *Q.*—When you import spirits from abroad, *vid* Bombay for example you pay an import duty the same as everybody else.

A.—Yes.

21389. *Q.*—Whatever it might be.

A.—Yes.

21390. *Q.*—On the spirits which are manufactured in Baroda itself and sent out of the Baroda State, you pay an excise duty.

A.—The excise duty is assessed at the tariff rate.

21391. *Q.*—That is obviously a countervailing excise duty in effect. Then you don't get any benefit when you import spirit from abroad when the tariff goes up. Have you got any suggestion to put before this Commission for helping you in the development of your industry by way of changes in the tariff.

A.—We have already made a suggestion in answer to Question 50. Just as the Bengal Government have reduced the tariff, the duty on our industry may be reduced.

21392. *Q.*—What you are asking for is reduction of duty on your spirit.

A.—Yes, with the exception of medicinal spirits. In the case of medicinal spirits we pay only Rs. 6-12 per proof gallon, whereas it is Rs. 18-12 in the British territory.

21393. *Q.*—Now what is the import duty upon spirit coming from abroad ?

A.—Rs. 18-12 per gallon.

21394. *Q.*—Would you substitute in its place an excise duty equal to Rs. 6 ?

A.—I would reduce it to Rs. 5 as is done in Bengal.

21395. *Q.*—Do you ask this in your own particular interest or in the interests of all Indian manufacturers ?

A.—In the interest of all Indian manufacturers.

21396. *Q.*—What would be the price per gallon of spirit?

A.—If it is 95 per cent. alcoholic it may vary from Rs. 1-8-0 to Rs. 3 according to the market.

21397. *Q.*—What is the percentage that the tariff rate forms to the total price of it ?

A.—At present on methylated spirit it amounts to 31·8.

21398. *Q.*—What is the price of the gallon ?

A.—Only Rs. 2.

21399. *Mr. Seshagiri Iyer* :—*Q.*—You say in your answer to Question No. 56, that the excise duty is levied on you at the tariff rate. For the spirit manufactured in British India is the duty different ?

A.—It is the same.

21400. *Q.*—You are in the same position as anybody who starts to manufacture in British India.

A.—Yes.

21401. *Q.*—I think that you said that you have some natural advantages for starting the industry in the Native State ?

A.—Yes, in the Baroda State particularly.

21402. *Q.*—Do you take exception to the general proposition that the industries started in British India should be more favourably treated than an industry started in the Native States ?

A.—We do.

21403. *Q.*—You yourself admit that if a similar industry were started in British India, it would have to undergo some difficulties which you have not to undergo.

A.—That is so.

21404. *Q.*—Therefore if the Indian manufacturer is likely to be at a disadvantage, would it not be the duty of the Government to see that anybody who comes from a Native State does not make the work of the Indian manufacturer difficult ?

A.—But it will not be a rule in the case of manufactories started in Native State.

21405. *Q.*—Do you know the rules regarding other Native States ?

A.—If it is a rule, we won't take any exception.

21406. *Q.*—Therefore I take it that you are enjoying certain advantages in Baroda which are denied to manufacturers in British India and there is nothing wrong in the Indian Government treating the British Indian manufacturer in a more generous spirit ?

A.—We don't take any exception to that.

21407. *Q.*—I take it that your petition is that you should be put at least in the same footing as manufacturers in Java or Japan and that there is absolutely no ground for making your position worse than the position of a foreign manufacturer ?

A.—Yes.

21408. *Mr. Rhodes* :—*Q.*—In your answer to question No. 43 you refer to pharmaceutical and medicinal preparations. What sort of medicine do you manufacture ?

A.—Tinctures, Liniments and such other medical preparations.

21409. *Q.*—All containing spirit ?

A.—Yes.

21410. *Q.*—Any other ordinary drugs ?

A.—Well along with spirituous preparations, we manufacture other preparations also not containing spirit.

21411. *Q.*—Would you advocate any increase in the import duty on drugs in the interests of the masses of India ?

A.—No.

21412. *Q.*—Any help that you get should be in the reduction of excise ?

A.—There should be a difference between the foreign manufacturer and the Indian manufacturer but the duty on alcohol contained in medicinal preparations even when coming from foreign countries should not be the same as the duty on potable spirits.

21413. *Q.*—You don't recommend any duty on ordinary drugs, which did not contain spirit ?

A.—We don't have to pay duty.

21414. *Q.*—You don't recommend any ?

A.—No.

21415. *Q.*—You cannot get any protection as regards foreign drugs ?

A.—Most of the drugs are Indian drugs.

21416. *Q.*—A great many of them are made at home ?

A.—I have already said that there must be a difference in the duty charged on Indian products.

21417. *Q.*—That would mean imposing a duty on imported goods ?

A.—Yes.

21418. *Q.*—Would it not be hard on the people ?

A.—How.

21419. *Q.*—We are not lowering the prices of the medicine by the duty?

A.—If we have the medicine why should they buy from foreign countries.

21420. *Q.*—If they could get cheaply in India, why is it necessary to put a duty ?

A.—It is necessary to develop the industry.

21421. *Q.*—You would make the people pay temporarily?

A.—Yes.

21422. *Q.*—You would not regard that as a hardship ?

A.—Not very great.

21423. *Q.*—But it would be for the benefit of the people left alive ?

A.—I should not think that the difference between the duty on Indian made and foreign made preparations would be very great.

21424. *Mr. Birla* :—*Q.*—Do you think that foreign drugs are largely used by the poor people of this country?

A.—Through the doctors, they do.

21425. *Q.*—Do you think that a large number of the poor people use foreign drugs?

A.—Yes.

21426. *Q.*—I was under the impression that most of the poor people take Ayurvedic medicine and that sort of thing ?

A.—That depends upon provinces and the availability of a doctor.

21427. *Q.*—Do you think that English educated doctors are available in small villages ?

A.—Now-a-days we do find even in small places.

21428. *Mr. Rhodes.*—They are very often compounders.

A.—Yes.

21429. *Mr. Mant:*—*Q.*—You gentlemen say that although you are situated in India you are charged sea customs duty. Can you tell me when you have to pay ?

A.—The procedure is before we import an article we have to apply to the Government of Bombay for a permit to import.

21430. *Q.*—Import by land or sea ?

A.—Import by land.

21431. *Q.*—You don't import any spirit by sea ?

A.—No, and we have to pay the duty in advance even before we import an article. That is not the case with a foreign manufacturer.

21432. *Q.*—I am only asking who you pay to ?

A.—To the Bombay Government.

21433. *Q.*—To the Abkari Department you mean ?

A.—Yes.

21434. *Q.*—I take it by sea customs duty you mean that you are really paying an excise duty equal to the sea customs duty.

A.—Yes.

21435. *Q.*—That is what you are paying.

A.—Some years ago it was called tariff duty.

21436. *Q.*—The excise duty is paid to the provincial Government.

A.—Yes.

21437. *Q.*—I don't think that it really comes within the purview of this Commission at all. I presume that these arrangements for licenses, transport and import into other provinces are in the hands of the provincial authorities.

A.—Yes. It is the same with foreign products also.

21438. *Q.*—I am talking of spirits produced in India.

A.—Yes.

21439. *Q.*—I take it that each province levies a duty—and it is an excise duty—on the spirits that are produced in the province or imported into the province. In the case of spirits made in India the excise duty is paid to the province.

A.—Yes.

21440. *Q.*—Supposing it is exported to another province does that province get the duty ?

A.—I think that in the case of excise articles we have to get a permit from the province in which the article is to be consumed.

21441. *Q.*—Who gets the duty on that article ?

A.—The Government of the province in which the article is consumed, or rather bought.

21442. *Q.*—Naturally the province has to keep a watchful eye on the import of spirit into the province which can only be made under a license.

A.—We have not to pay a duty in the United Provinces. Only the Punjab and Madras Governments take objections.

21443. *Q.*—You send your products to the United Provinces and Bengal without licenses at all ?

A.—We can send to Bengal and the United Provinces.

21444. *Q.*—Without permits ?

A.—Yes.

Mr. Mant.—I don't think that I need go into this matter. It seems to be quite outside the purview of this Commission.

21445. *Mr. Jamnadas Dwarkadas:*—*Q.*—Your grievance is, if I understand it correctly, this that you are not given any protection against the foreign industry although your industry deserves protection.

A.—Yes.

21446. *Q.*—Secondly, apart from not being given protection, you suffer under certain disadvantages which even the foreign industry does not suffer under. That is your grievance.

A.—Yes.

21447. *Q.*—For instance you say that the Punjab Government can safely import foreign liquors but not yours.

A.—Yes.

21448. *Q.*—I think that in answer to Sir Montagu Webb you said that in certain cases you were treated as belonging to a foreign territory and in other cases you were treated as in British India. I think that difficulty no longer exists.

A.—The Government of Bombay have recommended it but the Government of India have not sanctioned it yet.

21449. *Q.*—You are still governed by the notification of 1870.

A.—Yes.

21450. *Q.*—Would it make any difference if you were treated as a British Indian firm ?

A.—What we contend is that either we should be treated as an Indian firm or as a foreign firm. We should not be treated as at present.

21451. *Q.*—Your grievance is that where it suits Government to treat you as a foreigner they treat you so.

A.—Yes.

21452. *Q.*—Wherever it suits their convenience to treat you as a British Indian firm, they treat you so.

A.—That is true.

21453. *Q.*—But the disadvantages are always yours, and not the Government's.

A.—Ours.

21454. *Q.*—Now as regards the question to which Mr. Mant has referred about the difficulty arising through your having to pay the excise duty to Bombay Government: take the Punjab Government. It shuts out your spirit because you have to pay the excise duty to the Bombay Government.

A.—We are quite prepared to pay the Punjab Government if they want.

21455. *Q.*—You cannot pay to both.

A.—No.

21456. *Q.*—Naturally the Bombay Government would claim the excise for itself.

A.—No. When we import our spirit into the Punjab directly, then the Bombay Government do not claim the duty, but in this particular case the Punjab Government is not willing to allow us to do that.

21457. *Q.*—What are the grounds for that ?

A.—We do not know exactly.

21458. *Q.*—Have you any knowledge of this policy being adopted in the case of any other home made article ?

A.—We do not know of any other case.

21459. *Q.*—You have made representations to the Government, you said, regarding this.

A.—Yes.

21460. *Q.*—Both to the Bombay Government, the Government of India and the Punjab Government.

A.—Yes.

21461. *Q.*—Is this matter still under their consideration?

A.—Yes.

21462. *Sir Manakjee Dadabhoy:*—*Q.*—Yours is a joint stock company.

A.—Yes.

21463. *Q.*—You made profits during the war.

A.—Yes.

21464. *Q.*—Have you made losses since the Armistice ?

A.—Yes.

21465. *Q.*—You are not paying any dividends now.

A.—No. The losses were due not to any difficulties in trade but in the abnormal rise in the price of raw materials due to the failure of rains.

21466. *Q.*—What dividends did you give ?

A.—7 per cent.

21467. *Q.*—You said that there were 7 companies in India. Are they all over India or are they only in the Bombay Presidency ?

A.—All over India. All of them do not make rectified spirits. Some of them make rectified spirit and some of them potable spirits.

21468. *Q.*—What is the total output of all that?

A.—We do not know.

21469. *Q.*—Still a large quantity is imported.

A.—Yes. 16 lakhs of gallons are imported.

21470. *Q.*—You do not know how much is manufactured in this country.

A.—No. We asked the Director of Statistics to give us the figures but no reply has been received.

21471. *Q.*—You are in a better position than the factories started in British India at any rate.

A.—Only in the matter of pharmaceutical and other preparations.

21472. *Q.*—So far as the laboratory research work is concerned you are in a better position.

A.—Yes.

21473. *Q.*—Has any other company been started purely for the manufacture of spirituous preparations ?

A.—In fact only one such company has been started in Ahmedabad.

21474. *Q.*—You get all the raw materials required for your manufacture in this country, or have you to import ?

A.—It is found in India.

21475. *Q.*—You don't have to import anything.

A.—No.

(The witnesses withdrew.)

Witness No. 134.

Merchants' Chamber & Bureau.

Written statement, dated the 15th February 1922.

21476. *Q.* 1. We are strongly in favour of a policy of protection for this country.

21477. *Q.* 2. We are of the opinion that a tariff is a more suitable form of taxation than direct taxation, and that if fresh revenues are needed for the country this indirect form of taxation should be resorted to in preference to direct taxation, which is already very heavy and beyond the taxable capacity of the people and in which reductions are certainly desirable.

21478. *Q.* 3. We do not accept the principle of imposing a tariff for revenue purposes only.

21479. *Q.* 4. If the question means that the tariff should be continued purely for revenue purposes we have already answered it in our answer to Question No. 3.

21480. *Q.* 5. The existing tariff policy has had no beneficial effects on the development of industries; for our contention is that a tariff meant for revenue purposes only will never succeed in giving the industries of the country that protection which they need for development.

21481. *Q.* 6. We would emphatically say, no.

21482. *Q.* 8. The price would, no doubt, be raised to the consumer by an excise duty but there would be no compensating advantage. The effect of such duties would be injurious to Indian industries.

21483. *Q.* 9. Yes; we are strongly of opinion that the tariff should be framed primarily with the object of protecting and developing Indian industries. For the advantages anticipated from such a tariff we can only refer you to the present economic position of all the manufacturing countries of the world. Germany, America, Belgium, France and Japan have all developed within the shelter of high protective duties; and England herself established her position as an industrial nation behind the protection of tariff walls, bounties, navigation laws, etc.

21484. *Q.* 10. We look forward to this country becoming in time independent of other countries in regard to all her essential requirements. The measure of that time will depend on the amount of protection obtained by the country. With the existence of her abundant resources in men and materials we have no doubt that this country could be in a position to manufacture her essential requirements.

21485. *Q.* 11. We would favour the imposition of minimum protective duties on all imported manufactures. The amount of further protection may, however, vary with the peculiar and special circumstances of each particular industry.

21486. *Q.* 13. If sufficient protection is granted to the industries of this country against foreign manufacturers, Indian industries will naturally select themselves and industrial development in various fields will spontaneously follow.

21487. *Q.* 14. We do not think that the question can be categorically answered because the duration of protective assistance to Indian Industries would, apart from internal progress and establishment, and the degree of efficiency of our labour, both skilled and unskilled, depend also on conditions in the rest of the manufacturing world, which may vary. For instance, if bounties and subsidies are given to an industry by a foreign Government, the protection to the Indian industry would have to be continued. Generally speaking, we may say that even if a protected Indian industry is well established in the country in the future, it would continue to receive protection as long as there does not take place a general disarmament in the tariff world.

21488. *Q.* 15. Yes; we would. With regard to means for ascertaining the exact facts of favours of the kind referred to, conferred by foreign Governments on particular industries, these would generally be obtainable from the Indian interests concerned. Consular Agents and Trade Commissioners would further help in this direction. The necessary protection against these can be secured either by countervailing duties or by any other measures that the organisation referred to in our answer to Question No. 29 may think fit to adopt to meet the situation, when it arises.

21489. *Q.* 16. Hand industries based on such economic factors as idle time, fancy designs, which can only be done by hand, and consequently on uneconomic prices, would naturally take care of themselves. But we would have no objection to hand industries being encouraged on sound business lines having due regard to the possibilities of their being ousted by power industries.

21490. *Q.* 17. We are afraid it is too early in India to be apprehensive of the dangers referred to. In any case, if and when they do arise, the Legislature would be competent enough to deal with them. There are Trade combinations in other countries; but these countries have not yet been known to have given up their protectionist policy on that account.

21491. *Q.* 18. It is not improbable that foreign industrial firms will endeavour to establish themselves in India behind the shelter of tariffs. But we would suggest some safeguards to prevent unfair exploitation of the resources of the country by such firms. We should insist on all concerns developing industries in India to be formed with Rupee capital; half the capital of each should be offered to and held by Indians. Similarly, no concessions at all should be given to any non-Indian Company unless at least sixty per cent. of its capital is offered to and held by Indians. Foreign or Colonial firms should be allowed to start industrial concerns in India only if the foreign country or Colony from which they come treats Indians on equal terms with its own people at home.

It is possible that non-Indian firms established in India to take advantage of the protective tariff, may try to make common cause with their interests abroad, and in their strength, use unfair means to strangle newly born Indian competitors. To prevent such an abuse by them, of the privilege of being established in India the permanent organisation (ref. Question 29) should keep continuous watch and report every such case to the Government for strong, prompt and effective remedial measures. In the interests of India it may be necessary for the Government to compel such non-Indian concerns to wind up their business in India.

21492. *Q.* 19. As a general rule we do not see how such a conflict of interests could be avoided. But the Legislature can guard the best and ultimate interests of the country as a whole, as other nations have been doing within their own borders. In a conflict of interests, the balance of advantages to the country as a whole should be the determining factor in any solution that is applied.

21493. *Q.* 20. In normal conditions, and in certain cases, some part of the duty will inevitably fall on the consumer. But whatever be the incidence of the duty, whoever ultimately pays it, or a part of it, the interests of the country as a whole are served by the establishment or encouragement of an industry as a result of the duty. We should also point out that it is of no practical consequence to isolate consumers into a special class by themselves. No man is a consumer alone, nor is any man only a producer; and if it is granted that the consuming and producing classes are for all practical purposes one and the same, spread over the country as a whole, the incidence of the duty, *again* to the country as a whole, does not matter.

21494. *Q.* 21. Any rise in prices due to a protective tariff would be mitigated by the tendency of internal and external competition to lower them. The balance of natural advantages that an Indian industry may possess in the nature of the availability and proximity of raw materials, markets, labour, etc., may even further tend to lower prices as against those at which the foreign competitors could sell in India.

21495. *Q.* 22. Please refer to our answer to Question 20.

21496. *Q.* 23. The only two fundamental necessaries of life are food and water. All other human requirements are more or less relative in their necessity; and the case of each individual article would have to be dealt with on its own merits. For instance, till the sugar industry is thoroughly established in this country, there is no reason to be afraid of the tariff taxing the consumers in an increased price. For, we would repeat again, the very establishment of the industries by a tariff would be for the greatest good of the greatest number in India, and would be in consonance with the interests of the country *as a whole*.

21497. *Q.* 24. As far as the tariff is concerned, it would certainly tend to increase the cost of living. But its effects would only be more or less temporary, and with the general increase in Indian production these would gradually diminish. The cost of living, however, would be, and is even now, affected by influences other than tariffs such as

the growing standard of living, the volume of currency, and the inevitable sequence of higher wages.

It is very difficult to state the exact extent of the cover that would be afforded to the three wage-earning classes by a rise in their income. The industrial wage-earner will certainly have an increased income with increased production and increased demand for his services. The agricultural wage-earner will produce more raw materials for Indian industries and will earn more. Apart from that, in India, the industrial wage-earners and the agricultural wage-earners are not distinct and separate classes by themselves; and when Indian industries spread their beneficent effects all over the country, as it is hoped some day they will do, both these classes, even if you treat them as separate classes, will have an increased income. The middle classes, *viz.*, the large body of traders who are intermediaries between production and consumption, will also secure increased income from the increased volume of general and internal trade. So that we think that all the three classes will gradually be in receipt of an increased income which will compensate them for the increased cost of living, in so far as such increased cost of living is brought about by an increase in tariff rates.

21498. *Q.* 25. The experience of every industrial country that has grown by protection proves that industrial development is favourable to its foreign trade and to the general commercial position and prospects of the country. There is no reason why India should prove an exception. It need not be assumed that the development of Indian industries will mean the killing of its foreign trade. A prosperous India will have a larger purchasing power, and a more productive India will have a larger selling capacity, even outside its borders than at present.

21499. *Q.* 26. A tariff would certainly have the advantage referred to in this question; and if ever a circumstance arose, there is no reason why it should not be used for the purpose mentioned.

21500. *Q.* 27. For purposes of bargaining, concessions might be made to a foreign country according to the degree of favourable treatment granted by it to India. But here again the balance of ultimate advantages to this country in the development of its industrial potentialities would have to be continuously kept in mind.

21501. *Q.* 28. The tariff would have to be more detailed, and its actual framing would have to be done by an expert body.

21502. *Q.* 29. In view of our reply to Question 11, we do not think that any necessity would arise for investigating the claims of various industries to protection from time to time; but we think it will be necessary to have a permanent organisation representing the commercial and industrial interests of the country which could deal with the extent of protection to be afforded to particular industries.

21503. *Q.* 30. There should be no export duty levied for protective purposes on any raw material. But if it is absolutely necessary to levy such duties for *revenue* purposes, they should be levied on such articles only in which the country has a practical monopoly.

21504. *Q.* 31. In the case of food stuffs, we think that the imposition of an export duty will not have the desired effect in allaying famine conditions, for the demand for our food stuffs in other countries may be sufficiently strong to draw away, in spite of the duty, part of our supplies when most needed by us. We think, therefore, that under conditions of famine and scarcity, the best course would be to control exports.

Section B.—(*Imperial Preference.*)

21505. Generally we would say on this subject that we are strongly opposed to any policy of Imperial Preference; for we consider that this country ought to have the right of safeguarding its industrial interest first, second and last. The commercial situation has been in the past, and is to-day, that this country imports in normal times two-thirds of its total imports from within the British Empire; while two-thirds of its exports are to countries outside the British Empire. In other words the United Kingdom takes from India less than one-half of the value of goods which she exports to India. A policy of Imperial Preference, therefore, would have the disastrous effect of keeping our tariff door still open to the British Empire as far as our necessities of manufactured articles go. That is to say, by such a system we should be forced to buy our requirements from the British markets, and would not, therefore, have the benefits of making our purchases in the larger world markets. And since it ought to be the declared policy of this country to develop its industrial potentialities by means of a tariff wall as against all-comers a policy of Imperial Preference would have the inevitable effect of hampering us in that direction. As it is, the British Empire enjoys, and has enjoyed for years past, a unique position in the Indian market; and any attempt on our part to give them *increased preference* will only have the unfortunate result of perpetuating India as a market for their goods. Apart from these considerations, India would on balance lose more than she would gain by granting preferential rates on Imperial goods at the expense of the foreigner. And there would also be the risk of retaliation by foreign countries which would weigh heavily on our export trade, and therefore on the Indian producer.

21506. Furthermore, under a system of Imperial Preference any attempt to keep a cheaper foreign article out of India by a higher duty would merely result in its being imported through the United Kingdom and under British guise. Attempts will also be made by the United Kingdom to obtain a larger percentage of our exports, at the expenses of the natural course of our export trade. In his latest despatch to the Board of Trade, His Majesty's Senior Trade Commissioner in India and Ceylon has urged that "Every effort should be made to stimulate imports of Indian produce and manufactures to the United Kingdom and to retain our valuable entrepôt trade which has—in the past—been of incalculable benefit in stimulating British exports." To the Indian consumer or producer this unnatural course of trade would have no advantage, present or future. And we would urge that if this country is to consider her own interests first and foremost, a policy of protection, nullified by a system of Imperial Preference, will mean both a loss of revenue to the State and a defeat of the very objects of safeguarding Indian industries present and possible. This country cannot afford any more to risk its economic fortunes for the sake of ensuring a market for British goods, much less for the sake of a political experiment.

General.

21507. We venture to submit to the Commission the vital issue at stake in determining the future fiscal policy of this country. The cry for protection in this country is not of recent growth. The necessity of protection has been felt ever since Indian economic interests began to realise the position in which they had been driven for many, many years past. In fact, it is our opinion that had a policy of protection been adopted even twenty-five years ago, the country would have been able to show already very substantial results in the development of its industrial resources. We may also add that had such a policy been pursued, an industrial India would have been of greater assistance during the war than she was. The war also demonstrated the helpless position of the country so far as our requirements went, and we would urge that no steps be neglected to prevent a recurrence of such an unfortunate episode in its future history. We have, to-day, arrived at a stage in our industrial development when we feel that though the hesitating steps private enterprise has taken to develop industries have produced some,—we hope permanent—results in spite of the want of tariffs, the pace must be accelerated if we are not to be left permanently behind. The industrial world has turned on a new course as a result of the war. Most of the belligerents were manufacturing countries far ahead of India in their productiveness. Almost all the belligerents have lost most of their capital in a war of dimensions staggering in its economic consequences. Millions and millions of pounds have been heaped on the shoulders of the Western world as war debts to be redeemed by future generations (and India has shouldered her war burden too). But that very load is going to stiffen their backs to obtain new wealth from out of the channels old and new. A determined effort will be made by them to retain old markets and capture new ones; for no other course is possible for them, either to balance their budgets or to pay off their debts, but by producing more, selling more and thereby obtaining more wealth. The industrial struggle will consequently assume a more gigantic scale than it has hitherto done; and those countries which tarry in their industrial progress will inevitably go to the wall. The question of protection, therefore, has assumed for us a deeper purport than ever. It has become a question of self-defence against the economic aggression of the manufacturing world; and if this country is not to fall further behind in the industrial race, and lose it altogether, every mean that is available, individually to its inhabitants and collectively to its Government, must be availed of to enable it to stand up against the keener and more vehement struggle for markets that is coming. The fiscal policy of this country has hitherto been dictated by vested interest

in the United Kingdom, be it said to the discredit of British rule in India. Free trade has been imposed on her against her will, and to the ruin of her industries. The right to develop her material resources in her own interests has been denied to her. And she has been reduced into the helpless position of a farm for raw material and a market for the manufacturing world. Much of the unrest and dissatisfaction is due to this position of economic subservience into which she has been driven. And we venture to submit that as long as this universal and elementary right of every country, large or small—which even Great Britain's other Dominions enjoy—is withheld from here, there will be no real peace or contentment. For economic subjugation is more insidious and disastrous in its effects than political subjugation; and economic death means every other death.

PURSHOTAMDAS THAKURDAS,
Chairman.

15th February 1922.

Oral evidence, Bombay, the 1st March 1922.

Mr. Purshotamadas Thakurdas, C.I.E., M.B.E., M. L. C., Mr. B. F. Madon and Mr. N. M. Muzumdar, representatives of the Indian Merchants' Chamber and Bureau, were called in and examined. (The replies were generally given by Mr. Purshotamadas Thakurdas: wherever they were given by Mr. Madon or Mr. Muzumdar, it is specially indicated.)

21508. *The President.* Gentlemen, you represent the Indian Merchants' Chamber and Bureau?

A. Yes, Sir, I may say to start with that the Committee of the Chamber has expressed its opinion in this paper before you. Whatever I may say hereafter will be my best effort to reflect the further opinion of the Chamber. Even though I am speaking as the President of the Chamber with my two assistants, I will only try my best to reflect the opinion of the committee of the Chamber. It is quite possible, however, that the Committee of the Chamber may not have the same opinion as I think they have.

21509. *Q.* Indian Merchants' Chamber and Bureau represent all the various trades and industries in Bombay?

A. Yes, Indian trades and industries of course.

21510. *Q.* Will you please refer to the Chamber's answer to Question No. 11. Your Chamber's view is that a uniform import duty on a moderate scale or a minimum scale should be imposed on all imported articles whether they are manufactured in India or not?

A. We would add 'at the moment.'

21511. *Q.* And that the case of each industry should be examined individually on its merits and adequate protection given to it with the object of developing that industry in India if it has natural advantages for the purpose?

A. Yes.

21512. *Q.* I should like to ask you what your view is in regard to the suggestion which Sir Vithaldas Thackersay, who was once your President, made to us. He took an entirely different view. He suggested the imposition of a heavy duty on all imported goods and a lower duty in the case of those articles for the manufacture of which there is very little chance of factories being established in India. He referred in support of his view to the policy followed by Japan.

A. Sir Vithaldas was present when this matter was discussed in our committee, but unfortunately he did not express that view in the committee.

21513. *Q.* Both have great points in their favour. I want to know what you would prefer?

A. My own idea is that that would tell very heavily on the consuming public, and for this reason, the starting of new industries even with a heavy protective duty may be very slow. We therefore propose that the minimum protective duty should be imposed and the people should be given an absolute guarantee that they will be protected against any foreign competition by way of dumping or anything else: and, then, if any special industry comes before the committee you refer to in one of your questions, the said minimum duty may be increased in proportion to the difficulties that that special industry may put forward. That is what I would say. Of course this point has not been examined by the committee, and I cannot tell you what the committee would say.

21514. *Q.* Of course the consumer's point of view is paramount. But the idea of Sir Vithaldas, as far as I could judge, was that if heavy import duties are levied on all articles inducements for people to establish new industries will be provided at once because there will be a sufficient margin of profit to look to. On the other hand, if a case for an increase above the minimum has to be made out by any industry that requires it,—that is what you propose—it would take a considerable time in investigation and enquiry before special protection would be sanctioned, and thus it would be a long time before the industry could fructify. Your view has its advantage to the consumer, but I am suggesting now the advantage of the other view; both have a great deal in their favour.

A. I understand Sir Vithaldas wants the imposition of heavy duties immediately. Now the immediate imposition of heavy duties would not necessarily bring in the immediate establishment of new industries for local production. Therefore between the imposition of heavy duties and the establishment of new industries, the consumer will be heavily hit. Therefore, my committee have proposed a minimum protective duty and the announcement of a policy that if any industry felt that before it could start it would require a further increase of 10 or 20 per cent. protection, that 10 or 20 per cent. more would be given to that industry if the special committee examining the case were satisfied, but in order as it were, to draw the capital to industries, to put on a maximum duty without any chance of the industries being started immediately or within a reasonably short time, appears to me, individually, as being rather too strict an action in favour of protection, and I dare say and I hope that it will strike our committee in the same way. That is why, I think, they suggest in answer to Question No. 11 a minimum protective duty.

(Mr. Muzumdar): I might suggest, Sir, that the effect in either case would be the same, because in either case the consumers will have to pay the duty.

21515. *Q.* The matter is different in expediting the establishment of industries, because if a heavy duty is imposed generally, the protection would come in at once and people would try to manufacture articles in which there is ample margin of profit. In the other case, they have to make out a case before they can get the protection and consequently there will be more time taken.

A. (Mr. Muzumdar): It may be that the minimum duty we proposed is sufficiently high to grant protection.

21516. *Q.* That is exactly the thing I am going to ask you. You say 'minimum protective duties.' I was going to ask you what would be considered minimum protective duties.

A. We used the words 'minimum protective' duties for this reason. There is already a certain duty put on for revenue purposes. Now to what extent that revenue duty could be included in the protective duty,—that may be decided by you or any committee hereafter. It is a question of examination and going into figures how much the duty should be for revenue purposes and how much the minimum protective duty should be. But what we ask for is that over and above the duty put on for revenue purposes something should be put on not merely for the sake of getting revenue but for the purpose of giving protection to the industries.

21517. *Q.* And in that case, the income from the duties might exceed the requirements of revenue.

A. Even though it will not be required for revenue purposes, even supposing India required no customs duty for the purpose of revenue, we would still have a protective duty, and if that should result in surplus revenue you may reduce taxation in other directions. Even supposing India began with an absolutely clean sheet and needed no duties for revenue purposes at all, we would still have a protective duty.

21518. *Q.* There is a revenue duty now. That duty may indirectly give protection. What is your description of a protective duty?

A. A revenue duty is not a protective duty. A protective duty is a duty specially imposed for protecting industries.

21519. *Q.* Suppose X is the revenue duty. You say a minimum, say Y, should be added to it, in order to make it protective. How would you determine Y?

A. It would depend on the requirements of each special industry beyond the minimum.

21520. *Q.* But an enquiry should be made before the minimum figure Y is settled. In this case also you have to make an enquiry.

A. Supposing the Government decide that the present revenue duty is the minimum protective duty and any increase of duty required by any special industry over and above that will have to be gone into on the special merits of each case.

21521. *Q.* Do I understand you to say that the present revenue duties, — we might learn what they really will be to-day, because it must have come before the Legislative Assembly by now—should be the standard protective duties ? Instead of calling them revenue duties, would you call them protective duties in order to deprive Government of the power of reducing them when the revenue requirements are over ?

A. I do not think I meant to suggest that the present revenue duty should be looked upon as the minimum protective duty. Some of us would like an increase of 10 per cent. added on to it as a minimum protective duty.

21522. *Q.* And still would you call it a minimum protective duty ?

A. And that 10 per cent. would be the minimum protective duty.

21523. *Q.* That is my difficulty. How would you determine Y, *i. e.* the minimum duty, in the case mentioned by you ?

A. It may be 10 per cent. or it may be 15 per cent.

21524. *Q.* That must be done after elaborate enquiry. There must be some basis on which we can convert the revenue duty into a protective duty ?

A. Sir, the committee did not go into this question of figures at all. I indicate 10 per cent. in addition to the revenue duty and my two colleagues agree with me that that should be the minimum. The protection that would be afforded to us by adding on this 10 per cent. to the present duty would not at all be on the extravagant side, considering the average requirements of industries that could be established in India, and it is quite possible that in many cases a higher duty would be necessary. When we talk of industries, we talk of all the industries that are likely to be established in India in the near future.

21525. *Q.* And that would be able to withstand foreign competition after a certain reasonable period, without any import duty. You say : "We would favour the imposition of minimum protective duties on all imported manufactures." Do you mean by " all imported manufactures " all imported manufactures that can be manufactured here locally, because we have certain natural advantages for the purpose ?

A. No. We mean on all imported manufactures.

21526. *Q.* That is to say, you would impose an additional 10 per cent. duty on all imported manufactures ?

A. Yes.

21527. *Q.* What about the consumers, who you yourself pointed out, would suffer ?

A. We would refer you to the reasons given by us why we feel that the consumers' interests would not suffer up to a certain point.

21528. *Q.* You want a uniform 10 per cent. duty to be levied on all imported goods in addition to what is now being levied for revenue purposes, irrespective of whether the articles on which duty is charged are capable of being manufactured in India, or not. Now there arises the question of the consumer. In your case also the consumer pays duty on articles which there is no likelihood of being manufactured in India. How do you justify this, in view of your answer to my question with regard to Sir Vithaldas's suggestion, that the consumer would be penalized in articles for which there was no prospect of manufacture in India. The only difference, in my view, between your suggestion and Sir Vithaldas's suggestion, is a question of degree. In the case of Sir Vithaldas's suggestion it would hit the consumer harder.

A. Generally speaking, if a country is to develop industrially, a sacrifice has to be made by one generation or the other. We feel that a 10 per cent. protective duty over and above the revenue duty would not affect the consumer greatly.

21529. *Q.* In regard to hand industries you say : " We have no objection to hand industries being encouraged on sound business lines having due regard to the possibilities of their being ousted by power industries." Will you tell me what you mean by "encouraged on sound business lines." If they can stand on business lines then there is no encouragement needed.

A. My committee felt that they would not encourage the hand industries by a sort of bounty or subsidy from the State treasury, but that any indirect encouragement that could be given, — as was given during the war period when dyes were supplied to the weavers at the minimum price — might very well be given to the handloom industries. The handloom industry is not, strictly speaking, an economically sound one : it is only based on, as we have said in the first sentence, " such economic factors as idle time, fancy designs, which can only be done by hand, and consequentlyon uneconomic prices.

(Mr. Muzumdar) : I would refer you to the report of the Industrial Commission, Chapters 17 and 18, which deals with cottage industries and the financial assistance that the State can give to cottage industries.

21530. *Q.* Your Chamber is not in favour of giving any financial assistance to cottage industries ? — (Mr. Muzumdar): Yes, Sir, if they have prospects before them.

Sir Manakjee Dadabhoy—

21531. *Q.* You quote that report to support your individual opinion ?

A. Yes, Sir, only with reference to cottage industries.

The President—

21532. *Q.* Dealing with foreign firms elstablished in India behind tariff walls yon say you would insist on all concerns developing industries in India to be formed with rupee capital, half the capital of each being offered to and held by Indians. I do not want to argue anything as regards half the capital being offered to Indians. "Offered" is intelligible. But supposing Indians do not subscribe would you disallow that industry ?

A. I will explain why we specially put in "held by Indians." There may be cases where companies may be floated and supposing there is something specially good and the promoters of the company are not very anxious to share with the others it may happen that the prospects may not be very indicative, or may show only as little as possible, and, therefore the Indian public may understand or get very little of what is in the industry and may subscribe nothing. We feel that if an industry is good enough for investment by people outside India to come away all these thousands of miles to invest, it should be and it ought to be good enough to attract Indians. Therefore there is no reason why an Indian will not invest in an industry if the prospectus is put before him. There is a very strong feeling all over India — I dare say this Commission has gathered it — that every facility should be given to Indians to participate in local industries, whether they may be promoted by Indians or non-Indians, and my committee's intention in putting this paragraph as it has been put is that half the capital should be held by Indians.

21533. *Q.* The necessary conclusion follows that if a new industry promoted by foreign enterprise fails to secure half the capital in India then it should not be allowed to be established.

A. I am afraid it is so in many foreign countries.

21534. *Q.* In which ?

A. Japan, for instance.

21535. *Q.* Can you tell me definitely what are the conditions in Japan ?

A. The conditions in Japan mostly are that foreigners can own no land and even their trading facilities are fairly limited.

21536. *Q.* Can you give us the name of any publication in which this information is given ?

Does your Chamber know of any publication in which these conditions are found ?

A. I do not think, Sir, there is anything published in English which we can get. But there is this very clear fact that people who used to deal with Japan direct have had, if not entirely to wind up, at least to give up their direct connection and open firms through Japanese connection there. That is especially the case with trade in raw cotton. I understand that the firm of Ballis had been trading with Japan direct, but now they trade through a Japanese house.

21537. *Q.* But you have not got any publication ?

A. We could not get any publication in English.

21538. *Q.* Then your view is that similarly no concessions at all should be given to any non-Indian firm unless 60 per cent. of the capital is held by Indians. That is, in regard to all classes of firms if the requisite percentage is not subscribed by Indians, then you would not allow them to establish industries or give them special concessions from Government funds ?

A. That is the opinion of my committee. (Mr. Muzumdar). You have stated that it might be that Indians would not subscribe capital to an industry. I do not see any reason why they should not

21539. *Q.* Assume that the Indians do not subscribe. Then, what would be the result ?

A. (Mr. Muzumdar) : Why assume that that position would arise.

21540. *Sir Montagu Webb* : I think the position which the President has referred to has arisen everywhere except in the Bombay Presidency ; that is to say, the total capital required has not been forthcoming from Indians, not in Bombay but in other parts of India.

21541. *The President*: Q. That is a thing which business men can easily visualise. Assume that a foreign firm wishes to promote the manufacture of a particular article in India and issues its prospectus and invites applications for subscriptions. It is quite possible that the requisite capital may not be forthcoming from Indians.

A. (Mr. Muzumdar). Very big industries have been started on the Bombay side, the Tata Hydro-Electric Scheme and the Tata Bank in which most of the capital is Indian.

21542. *Q.* We are not dealing with Indian firms established by Indians. We say if protective duties are established foreign manufacturers instead of sending their manufactures here may like to come and manufacture in India. We have asked the opinion of your Chamber what their attitude would be in regard to that possibility and you say that you would only allow foreign manufacturers to establish industries in India if 50 per cent. of the capital was held by Indians and if concessions are to be given by Government then you want 60 per cent. to be held by Indians. I asked you whether in the event of the requisite capital not being subscribed by Indians you would allow foreigners to establish their firms without that capital. Mr. Purshotamdas says that India should accept the position of not having those industries rather than allow the foreigners. I can understand such a logical position.

A. Mr. Muzumdar reminds me that the committee is definitely of opinion that if Indian capital is shy, to that extent they would rather wait for 10 or 20 years than allow that industry to be established by foreigners.

Just I am coming to that. We take it Sir, that direct encouragement will be given to the establishment of industries when the recommendations of the Industrial Commission are carried out. The ground will be prepared in India for the development of industries.

21543. *Q.* That is not my point. Suppose an European firm comes and establishes a factory in India and invites capital. Indians do not subscribe. Would you ask the Government to tell these people that Indians have not subscribed 50 or 60 per cent. and therefore you won't be allowed to establish your industries ?

A. (Mr. Muzumdar) : Yes we would rather wait.

21544. *Q.* Then you go on to say in the next paragraph 'It is possible that non-Indian firms established in India to take advantage of the protective tariff, may try to make common cause with their interests abroad, and in their strength use unfair means to strangle newly born Indian competitors.' Will you please explain what you mean by that ?

A. Well suppose a foreign, or rather a non-Indian firm starts say cotton mills or oil pressing industry. In order to keep the whole monopoly for themselves they may work here at such rates which may not be paying to the newly born Indian industries. This will be unfair competition.

21545. *Q.* I do not quite follow. Give an illustration please.

A. Take the instance of cotton mills. Suppose 50 cotton mills are started here and the foreigners begin to manufacture and sell cloth at an absolute loss to themselves, but these mills are put up by vested interests abroad. The Indian industries here would be hit and might almost come to a point when they will disappear. In such cases the committee that will watch this especially with regard to dumping and other things, must see that the Government of India give protection to the genuine Indian industries established here.

21546. *Q.* You mean that dumping in factories (because that is what it comes to) would be resorted to. You say suppose Lancashire or Japan, which are the two great textile manufacturing countries come and establish say 20 or 50 mills in the suburbs of Bombay. They deliberately set aside a few million pounds and in order that the existing cotton mill industries in the Indian hands may go to the wall they sell at a loss for four or five years. The Indian mills will go into liquidation and then they will buy them off. Then the monopoly of the textile industry in India will go into foreign hands either the Japanese or the English. Is that your theory ?

A. Yes.

21547. *Q.* Supposing they did that, it would be only for a time, isn't it ?

A. Yes.

21548. *Q.* If the Indian competition is eliminated they will raise their prices and make enormous profits. In that case it will not take many years for the Indians to establish new industries.

A. They will start the game again. As soon as the Indian concerns disappear they have the field to themselves. As soon as the new Indian concern comes up they start the game again. Take the case of the soap concern, and oil mills. It would take very little time to make the Indian concern go into liquidation by any powerful vested interest outside starting the industry and competing with the Indian industry. We may then be told that we cannot stand competition or that our management is not efficient. What we are so anxious about is that we should get in our own country all the facilities which we are entitled to at home and that no sort of tinkering within either directly or indirectly, or in a sort of diplomatic manner should be tolerated. All that we suggest is that the Government of India should watch that things of this sort do not happen.

21549. *Q.* Then you go on to say 'To prevent such an abuse by them, of the privilege of being established in India the permanent organisation (ref. question 29) should keep continuous watch and report every such case to the Government for strong, prompt and effective remedial measures. In the interests of India it may be necessary for the Government to compel such non-Indian concerns to wind up their business in India.' That is to say when such a contingency arose, you would provide by law the power in the executive Government to call upon the non-Indian concern to go into liquidation.

A. Yes, such non-Indian concern.

21550. *Q.* You want such a condition to be imposed by the Government before any non-Indian is allowed to establish a factory in India, because it would hardly be fair to use such drastic measures after the factory is established.

A. I think proper notice should be given to such factories. There should be proper rules and regulations so that they may know what they are risking in establishing the industry in India.

21551. *Q.* You know that the natural effect of such a policy would be the discouragement of foreign manufacturing enterprise in India.

A. I think it will be obvious that such regulations and restrictions would discourage, but I do not say it would do away entirely with foreign enterprise and foreign capital.

21552. *Q.* If the effect of it is to discourage them from coming, you would not mind it ?

A. I will be very suspicious of such enterprise in India.

21553. *Q.* In your general statement the second part requires elucidation. You say 'The industrial world has turned on a new course as a result of the war. Most of the belligerents were manufacturing countries far ahead of India in their productiveness. Almost all the belligerents have lost most of their capital in a war of dimensions staggering in its economic consequences. Millions and millions of pounds have been heaped on the shoulders of the Western world as war debts to be redeemed by future generations (and India has shouldered her war burden too). But that very load is going to stiffen their backs to obtain new wealth from out of the channels old and new. A determined effort will be made by them to retain old markets and capture new ones ; for no other course is possible for them, either to balance their budgets or to pay off their debts, but by producing more, selling more and thereby obtaining more wealth. The industrial struggle will consequently assume a more gigantic scale than it has hitherto done ; and those countries which tarry in their industrial progress will inevitably go to the wall. The question of protection, therefore, has assumed for us a deeper purport than ever. It has become a question of self-defence against the economic aggression of the manufacturing world ; and if this country is not to fall further behind in the industrial race, and lose it altogether, every mean that is available, individually to its inhabitants and collectively to its Government, must be availed of to enable it to stand up against the keener and more vehement struggle for markets that is coming. The fiscal policy of this country has hitherto been dictated by vested interests in the United Kindom, be it said to the discredit of British rule in India.' This is rather a very strong expression coming from such a responsible body as yours. I should like you to explain to this commission the reasons which have led to this expression.

A. That refers to the history of the policy adopted in India till now. If you don't mind, Mr. Muzumdar will explain. He is well versed in history.

21554. *Q.* The first portion of your statement which I read out at length is that European countries and those in America and Japan will strain every nerve to retain the Indian market which they had under free trade conditions and to further exploitation for the sake of their manufactured goods,.....(Mr. Muzumdar) : as also the new markets.

21555. *Q.* We are not dealing with new markets outside India. And therefore an intensive policy of protection should be resorted to in all directions to prevent India being exploited by foreign countries and for that purpose you would have protection and especially at an early date for your industries to supply your own markets. I can understand that. But I want you now to explain the strong expression which you use.

A. (Mr. Muzumdar): That Sir is purely a historical matter and if you want ready references I can give any number of quotations.

21556. *Q.* I should like you to tell the Commission the reasons which led you to give expression to such strong views.

A. (Mr. Muzumdar): In the first place take the cotton duties. When cotton duties were imposed an excise duty particularly against the Indian interests and to the discouragement of Indian enterprise in India was imposed. Take the case of the tax that England imposed against Indian goods in the old days in the 18th Century.

21557. *Q.* Then do you suggest that you advocate a policy for India to adopt which England did years ago to protect her goods against the Indian manufacture?

A. (Mr. Muzumdar): Yes, Sir.

21558. *Q.* Can you give any other instance by which you can justifiably say that the British rule in India is discredited by the fiscal policy adopted in this country?

A. (Mr. Muzumdar): The free trade that has been imposed on this country against her will is another instance. India has been strongly protectionist in her sentiments for generations. If free trade is good for England now, it was certainly not so before. England developed her industries by tariff walls, subsidies, navigation rules and so forth. Why should the right by which England developed herself from agricultural to a manufacturing country be denied to us, and it has been strongly denied to us for the last fifty years? Every business man knows that England has been keeping the Indian doors open to further her own markets. May I just tell you, Sir, perhaps you yourself know, that we import more than 70 per cent. of our goods from England.

21559. *Q.* You mean to say that free trade which England has imposed on India has been in her own interests and that has led your committee of the Chamber to make these remarks.

A. (Mr. Muzumdar): Yes, Sir, the excise duty being part of the free trade policy.

21560. *Q.* Your criticism really is as against the free trade policy which England has imposed upon India, against what you say is the national sentiment?

A. (Mr. Muzumdar): Yes. May I supplement my answer, Sir. Almost every country has developed by tariffs, England herself developed by tariffs and the tariff has been denied to us.

21561. *Q.* You say, so far that has been in the selfish interests of England and that has led to this remark being made.

A. (Mr. Muzumdar): Yes, we think it is discreditable.

Sir Manakjee Dadhabhoy—

21562. *Q.* Your Association, I understand, is in favour of a policy of protection. Protection I understand, is that the amount of duty and so on should be decided on various circumstances depending on the circumstances and requirements of each particular industry.

A. Yes.

21563. *Q.* In the Chamber's written statement it is not definitely stated on what principle protection is to be given.

A. As far as the Chamber is concerned I will restrict it to necessaries.

21564. *Q.* The President has discussed with you regarding the imposition of heavy import duties. I understand you to say that your Chamber does not endorse the view mainly for the reason that during the intervening period the consumer would be hit hard. Is that so?

A. Yes.

21565. *Q.* Are there other reasons besides?

A. No.

21566. *Q.* Don't you think that the imposition of heavy duties would also help in starting industries in India which may not be intrinsically sound?

A. Yes, when the duties are reduced later on; not when the heavy duties are put on imports.

21567. *Q.* Would it not give an impetus to Indian industries which may not be intrinsically sound?

A. There may be a sort of mania to start industries at the period high duties are imposed. But I don't think it is possible. It is a question of degree.

21568. *Q.* Would it accelerate the flow of foreign capital which you dread so much?

A. We do not dread foreign capital at all. We like foreign capital but we want only the foreigners to be reasonable.

21569. *Q.* I want to know your Chamber's views as to whether heavy duties would accelerate the flow of foreign capital.

A. I do not see why it should accelerate the flow of foreign capital.

21570. *Q.* In answer to the President you advocated a uniform protective duty of 10 per cent. in addition to the revenue duty.

A. Yes, something in addition to revenue duties.

21571. *Q.* You are aware that some articles would not be able to bear that uniform rate?

A. You mean it would be too heavy for the purpose of those articles being sold, is that what you mean?

21572. *Q.* Yes, it would discourage the consumption of foreign imported articles.

A. It would discourage the importation of foreign articles, but it would encourage the manufacture of those articles in India.

21573. *Q.* But during the period that you have not got those articles ready for consumption, what would happen?

A. The consumer will have to pay a bit more. That is all that would happen.

21574. *Q.* Would you have to pay more?

A. Yes (Mr. Muzumdar) only the consumers at present will have to pay more; but their sons, that is the next generation will have to pay less.

21575. *Q.* What is your opinion about the burden of those import duties so far as the masses are concerned? Do the general masses share in those import duties to any appreciable extent?

A. No. My general opinion is that there are many well-wishers of the masses, but I think I would take their sympathy with a pinch of salt, and I would say the Indian public may be well left to look after the masses and decide for themselves what is in the best interests of their fellow brethren. We do not want any outer sympathy. Why should not the Indian public be allowed to decide and to express an opinion? We have said so, and we have referred to it. I have nothing more to say.

21576. *Q.* You probably do not understand my question. What I want to know is, does the incidence of import duty appreciably fall on the masses?

A. It might. Don't we say so in that reply? In normal conditions some part of the duty may fall inevitably on the consumers.

21577. *Q.* I am asking this question because evidence has been placed before us that the import duty does not affect the masses.

A. I wish to point out that we have replied to this categorically in our answer to Question No. 20.

21578. *Q.* You refer to consumers. You don't make a distinction between the consumers and the masses.

21579. *President*: It has been put before us by certain people that the majority of the imported articles are not used by the agricultural masses and that the consequent rise in prices would not affect the masses or the agricultural classes.

A. I would be able to answer the question if the names of the articles are given. I cannot answer generally for all imports.

21580. *Q.* You may qualify your statement.

A. I do not want to qualify it. If you put a definite question, I will try my best to give you a definite answer.

Sir Manakjee Dadabhoy—

21581. *Q.* Do you know of any imported articles which are largely consumed by the agricultural population? Do you know whether any large number of imported articles are consumed by the agriculturists?

A. Kerosine oil, sugar, agricultural implements, glass bangles, glass ware chimneys and such other small articles.

(Mr. Madan). You want to know probably what portion of the imports are consumed by the rural population and how far that population would suffer by the probable increase in cost. I had to analyse the imported articles for a certain purpose and I found that out of a total of Rs. 200 crores of imported articles the masses really consumed six or seven crores.

21582. *President*: Urban as against rural? Yes. If you want detailed figures I can only supply them later.

Sir Manakji Dadabhoy—

21583. *Q.* To what extent? Would it be appreciable in value?

A. In a general way it would be six or seven crores out of 200 crores.

21584. *Q.* Will you kindly send us the detailed figures.

A. Yes.

21585. *Q.* Does the handloom industry, Mr. Purshotamdas, come into conflict with the powerloom industry?

A. It does up to a certain point.

21586. *Q.* The point is, where it does come into conflict with powerlooms, is it with the local powerloom industry or foreign powerloom industry?

A. It does not come into conflict with the local powerloom industry.

21587. *Q.* So, protection to the powerloom industry of India means indirect protection to the handloom industry.

A. Yes.

21588. *Q.* You would not adopt any measures to protect the handloom industry against the local powerloom industry.

A. Not beyond what we say in reply to Question No. 16. Nothing further strikes our Committee at present as feasible.

21589. *Q.* I understand that the interests of the handloom weavers are not in any way injured because they generally turn out finer cloths.

A. Well, finer or thicker, what they can do cannot possibly be done away with because as we say in the first sentence of our reply they are based on idle times and fancy designs.

21590. *Q.* I will put it to you in this way. It has been argued by some people that you must retain this 3½ per cent. excise duty because it affords protection to the handloom industry indirectly. What is the opinion of your Association on that point?

A. I am not prepared to answer that on behalf of my Committee at this stage. They have not considered that point at all.

21591. *Q.* Have you not considered that matter?

A. Not as a Committee.

21592. *Q.* Your written statement and your answers to the questions put by the President about foreign capital are very interesting. I should like to examine you a little more closely.

A. Yes.

21593. *Q.* Your Chamber goes even to the extent of saying that they would rather have no foreign capital and wait for 10 or 20 years than have industries started wholly by foreign capital.

A. We would rather have no foreign capital, if we cannot get it with the precautions which we have suggested.

21594. *Q.* Now I want to understand the position. You say that you would rather remain in your present condition than have your country developed by foreign capital. You know that there is a large middle class in India which is entirely dependant upon industries for their daily life?

A. As clerks or labourers.

21595. *Q.* Both clerks and labourers?

A. Yes. there may be a certain number.

Q. 21596. Would not the foreign capital have two distinct advantages, of supplying wages to the labourers and providing remuneration to the middle class people?

A. To the clerk class, you mean.

21597. *Q.* I won't limit it to the clerk class?

A. May I know what is the middle class which Sir Manakjee has in view and which has to be dependent on industries.

21598. *Q.* I shall define the middle class in this way. A middle class is that class which is not dependent upon—I would put it in a negative way—agricultural manual labour for its existence but dependent upon service and employment?

A. I want to understand your question definitely before I reply. You are aware that the industries that have been started up till now have not given much scope to Indians in the higher ranks. Indians have been employed either as clerks or as fitters who can be called middle class people. I am aware that this has been the condition and that this has been the point of great disappointment to Indians.

21599. *Q.* I will assume for a moment that Government have been defaulters in this matter. I am now talking of foreign capital and large industries which may be started in this country. Will those industries not supply avenues of employment for Indian middle class men?

A. Yes, they may employ more Indians as clerks and as middle class employees.

21600. *Q.* Secondly, would it not be a good thing for the wage-earning class if foreign capital came to India?

A. In the interests of the clerk class.

21601. *Q.* In the interests of manual labourers?

A. Yes. I would supplement that it would be the same when Indians started industries.

(The President here read the portion *re* sea customs duties from the new budget.)

21602. *Q.* Now about foreign capital: you suggest that 60 per cent. of the capital should be subscribed by Indians?

A. Yes, where concessions are to be given.

21603. *Q.* Where concessions are not to be given?

A. We suggest 50 per cent.

21604. *Q.* Take each case separately. At the initial stage you can insist on a thing being done saying that you would not allow flotation or a concession being given unless that is done?

A. Yes.

21605. *Q.* But once the company is floated, will you please explain how this rule could be kept permanently in operation? Would you prevent those Indian shareholders from alienating their shares to foreigners by law?

A. That was the point which was considered by the Committee.

21606. *Q.* I should like to know your Committee's view?

A. This point was considered by my Committee and we fully realise that this may mean handicap to people who hold the shares from the start. At the same time it has been realised that unless some such condition is imposed, one could get round the law. At the time of flotation, the capital may be allotted to Indians but after sometime, it may be transferred. Therefore whilst the Committee fully realise that this may work a little hardship the Committee feel that if this is insisted upon, industries will only be started by such people in whom the Indian public will have implicit confidence and people who start such industries will take very great care to see that they are working on lines which are in the best interests of India.

21607. *Q.* I quite see your point and I appreciate the point about sacrifice?

A. What sacrifice did I mention?

21608. *Q.* You said 'handicap'?

A. Yes.

21609. *Q.* It is a sacrifice in a way. I quite realise that point, but the point on which I cannot come to any decision is the impracticability of the scheme. I will illustrate what I want to say. Do you think that if this condition is made that the Indian capital in the new concern is to remain only in the hands of Indians, with that knowledge you will get money?

A. Why not? I don't see any reason why the capital should not come in?

21610. *Q.* Even if you make it obligatory by law that those Indians should sell their shares to Indians only and not to foreigners, do you think that Indian capital would come in in order that the concern should remain an Indian concern?

A. Yes.

21611. *Q.* What will be the effect of such legislation? Will it not depreciate the value of the shares?

A. Why.

21612. *Q.* You have no freedom to sell.

A. I maintain that there is freedom. What difference does it make it whether you sell to Indians or Europeans.

21613. *Q.* Supposing an European offers more, why should an Indian be forced to sell to another Indian?

A. I cannot understand how he will offer more. That is just the point.

21614. *Q.* Suppose he does?

A. The European would be a merchant as much as an Indian.

21615. *Q.* To defeat your purpose and to defy the legislation, the Europeans may combine and say "we will turn the Indians out by offering more value for the shares." What will you do then?

A. Well, prevent him. Is there any sense in such an attitude being taken up? Is it worth serious consideration.

21616. *Q.* I cannot reconcile myself to any business concern being started on this basis?

A. That is the Chamber's view.

21617. *Q.* Is this scheme of yours not liable to be defeated by collusion? Cannot foreign capitalists put in mere nominees and pay themselves their shares?

A. How can they.

21618. *Q.* They can put A B C on paper and give them so many shares, holding the shares themselves?

A. Leave it in their name for ever.

21619. *Q.* Not for ever?

A. It must be for ever.

21620. *Q.* They must always be held by Indians?

A. Undoubtedly.

21621. *Q.* Is this scheme of yours practical and feasible ?

A. So the Committee consider.

21622. *Q.* I have only just one or two questions to ask you about the textile industry. Of course you have seen the budget. That must not upset our consideration one way or the other. Do you think that the cotton industry requires any further protection ?

A. After all India supplies only 45 per cent. of our requirements. 55 per cent. still remains. So, certain protection, it appears, is necessary. The amount of protection however is a matter for investigation.

21623. *Q.* But has your Association considered that matter ?

A. I don't think that my Committee has considered the question of the cotton industry specifically but I am quite prepared to give this reply that if India can only produce or has been in a position to produce only 45 per cent. of her requirements and not anything like 60 or 70 per cent., it would appear that the industry requires protection, the extent of which may be small.

21624. *Q.* Don't you think that on an important matter like this, this Commission is entitled to your considerate opinion ?

A. If you had put your question directly in the questionnaire, we would have been guilty of lapse.

21625. *Q.* Our questionnaire implies that ?

A. If the questionnaire had specifically drawn attention to what you think is the most important industry, I think that my Committee would surely have gone into it, but you did not attach great importance. Surely my Committee is not responsible for not dragging it in.

21626. *Q.* You have not considered that matter.

A. No.

21627. *Q.* Then would you recommend a duty on yarn ?

A. I am afraid I am not in a position to answer that question. My Committee has not considered these specific cases. (Mr. Madon.) The Chamber has already said that it would advocate the imposition of an import duty on all manufactured goods which include yarn. What percentage should be imposed on yarn is a different question.

21628. *Q.* In the case of foodstuffs, you think that the imposition of an export duty on foodstuffs will not have the desired effect in allaying famine conditions. Your Chamber is against it.

A. Yes.

21629. *Q.* You prefer in the case of famine control of foodstuffs.

A. Yes.

21630. *Q.* You prefer control to export duties.

A. Because, as we have explained in our answer, in spite of the duties, it is quite possible that some other country where the demand for the foodstuffs is greater may be able to draw away our foodstuffs. Therefore it is necessary to control and absolutely prohibit the export. It all depends upon the special circumstances.

21631. *Q.* In cases of famine, you are against export duties.

A. We don't think that in special conditions of famine, export duty with the intention of raising revenue is desirable and therefore the sole aim should be to preserve.

21632. *Q.* But in cases where there is a surplus for export.

A. Does the question in the questionnaire refer to this ?

21633. *Q.* I am not bound to restrict my examination to the questionnaire. If you don't wish to answer you are at liberty to say 'I cannot answer.'

A. As I said to the President I cannot give any answer to a question which was not dealt with by my Committee. If the questionnaire did not contain this, I am afraid I would rather prefer not to give any answer. Please don't look upon it as a discourtesy.

Mr. Jamnadas Dwarkadas—

21634. *Q.* You are giving evidence on behalf of the Chamber just at present ?

A. Yes.

21635. *Q.* I think what you mean is this: that where your Committee has not considered a question you would be reluctant to give an answer off-hand as the view of your Committee ?

A. Yes.

21636. *Q.* But when you are examined personally you will give evidence ?

A. Oh, Yes.

21637. *Q.* You say ordinarily you would not have an export duty on foodstuffs ?

A. No.

21638. *Q.* But, in times of famine or scarcity you would have a system of control and not a policy of export duties ?

A. Yes.

21639. *Q.* I want to put before you the difficulty which was put before us by Mr. Hardy, the Collector of Customs at Rangoon. He said he would put an export duty in preference to control, because control has the tendency to encourage hoarding.

A. An export duty would not encourage hoarding ?

21640. *Q.* That is what the Collector of Customs said.

A. I do not know what particular considerations he had in view. But if hoarding is encouraged, it is encouraged as much by control as by an export duty, because the export duty does not go to the man who hoards the grain but it goes to the Government with which the man who hoards has no sympathy. My Committee and I personally are definitely against an export duty on any raw material because it would hit the grower, but when you talk of famine or scarcity it is not the growers' interest that you have to bear in mind but the interests of the general public, the consumers. An export duty cannot regulate export. You must either absolutely prohibit any export or you must say "we shall allow only 10 per cent. or 20 per cent. to go out." It is rather difficult to regulate it by an export duty.

21641. *Q.* In answer to the President you said that you were in favour of a policy of protection ?

A. Yes.

21642. *Q.* It has been stated before this Commission that if a policy of protection were adopted in India the agricultural classes who form the bulk of the population will be hit hard. Do you think there is any truth in that argument ?

A. I think I may just refer you to the reply which my friend Mr. Madon gave to Sir Manakjee Dadabhoy's question. Would that be sufficient ?

21643. *Q.* You say that only a fraction of the population consume the imported goods ?

A. Yes.

21644. *Q.* It has also been made out before this Commission by a few witnesses that if you divert agricultural labour to industrial pursuits agriculture may largely suffer. Do you think there is any strength in that argument ?

A. That is likely, but I take it side by side with this one: that agriculture should be developed and the best possible efforts should be made for the development of agriculture.

21645. *Q.* At present there is an entire dependence, so far as India is concerned, on land.

A. (Mr. Muzumdar): 80 per cent. or more on land.

21646. *Q.* In the opinion of your Committee that is responsible for the poverty that you see in India to-day ?

A. Yes.

21647. *Q.* If the dependence was distributed between agriculture and industry, this poverty would be alleviated to a considerable extent. Is not that your Committee's opinion ?

A. What I feel the fact that because nothing has been done for agriculture till now is no reason why nothing should be done for industry. Encourage both simultaneously.

21648. *Q.* Suppose your recommendation for protection was adopted and a policy of encouraging agriculture was adopted, don't you think that your country would gain in both ways ?

A. Absolutely. (Mr. Muzumdar): I have just said that 80 cer cent. of our people depend on agriculture. As there is pressure on the soil we want to relieve that pressure on the soil by taking it to industry. That will be one of the finest insurances against famines. In fact we want diversity of occupation for our people.

21649. *Q.* It is because there is this entire dependence or agriculture that to-day you observe that in times of scarcity the staying power of the people is practically *nil*, and if you divert a part of the labour at least from agriculture to industry it will increase the staying power of the people ?

A. (Mr. Mazumdar): If you could only get 4 or 5 crores of people to turn their hands to industries India would be a better country to-day.

21650. *Q.* That policy will not make agriculture suffer ?

A. No. On the other hand, as Mr. Purshotamdas Thakurdas said, there is plenty of room for the development of agriculture in this country.

21651. *Q.* Now about your remarks about the handloom industry. You said in answer to a question by the President that you would encourage the handloom industry not by financial assistance from the Government or by any kind of State aid, but by giving them such facilities as have been given in the past.

A. Yes.

21652. *Q.* You also informed Sir Manakjee Dadabhoy that there is no conflict between the mill-made cloth and the handloom cloth.

A. I said as between the Indian manufactured cloth and Indian handloom cloth on one side and the foreign cloth which is imported on the other side, there is no conflict.

21653. *Q.* It has been made out that the excise duty of 3½ per cent. (which has now been raised to 7½ per cent.) has the effect of giving protection to the handloom industry as against the mill industry in India. Do you think there is any force in that argument?

A. It would look like that.

21654. *Q.* Now, there is a countervailing excise duty. You do not advocate the excise duty. You think the excise duty is entirely a protection to the foreign industry as against our mill industry, and that any rise in the excise duty increases the cost to the consumer.

A. Yes.

21655. *Q.* Now it has been made out that leaving aside the foreign cloth altogether, if an excise duty is imposed on Indian mill made cloth, it is protection afforded to the mill industry.

A. I think it happens to be that way. There is no doubt that the excise duty of 7½ per cent. as it now happens to be, will mean that the handloom cloth will have that handicap in its favour as against the mill made cloth.

21656. *Q.* Now, I put to you this question. Would you advocate an excise duty for the purpose of giving protection to the handloom cloth if it hurts the Indian mill industry in its competition with the foreign mill industry?

A. If the excise duty can be taken off, I would certainly not advocate its retention in order that the handloom industry may benefit by it.

21657. *Q.* The question is between the foreign mill industry and the Indian mill industry and not the mill industry here and the handloom industry?

A. That is it. I would draw your attention to our answer to Question No. 16 in which we say that we would give encouragement to hand industries only on sound business lines having due regard to the possibilities of their being ousted by power industries.

21658. *Q.* I think it is Mr. Muzumdar who said in answer to the President that the policy of encouraging cottage industries should be adopted. Now when you said that you had other cottage industries in mind beyond the handloom industry?

A. (Mr. Muzumdar) : There are 510 cottage industries.

21659. *Q.* You would do all that you possibly can to encourage these cottage industries as a subsidiary work for idle time and so on. Now would you by an excise duty or otherwise encourage the handloom industry if it means a blow to the Indian mill industry?

A. I do not think my Committee would do that.

21660. *Q.* In your answer to Question No. 25 you advocate the institution of a permanent organisation. Could you give me your Committee's idea about the constitution of this organisation?

A. Representatives of commercial and industrial interests of the country.

21661. *Q.* I think you know that any organisation that may come into existence will have an advisory capacity to the Indian legislature and that the ultimate decision will rest with the Indian legislature, and I think your Committee's view would be that if a properly representative organisation were created it would make recommendations from time to time to the Indian legislature and that the Indian legislature would finally sanction or vote them.

A. Speaking technically it should report or make recommendations to the Legislative Assembly.

21662. *Q.* In answer to Question No. 20 you go a little further and say that even if the consumer may have to bear a little bit by way of paying higher prices you are prepared to adopt a policy of protection inasmuch as ultimately it will make the country richer?

A. That is it.

21663. *Q.* And in your opinion if it comes to that the country is prepared to bear a temporary burden.

A. Every country has borne it and it has been considered justified there, and there is no reason why it should not be justified in India.

21664. *Q.* Your Committee thinks that unless a policy of protection is adopted there will be no industrial progress.

A. We have seen the result of the last 50 years. Progress under free trade has been slow and stunted.

21665. *Q.* You also believe that the future prosperity of the country depends largely on its industrial growth.

A. Yes.

21666. *Q.* You say that much of the unrest and discontent is due to the position of economic subservience into which India has been driven?

A. Well, Mr. Montagu himself has said that.

21667. *Q.* Our economic condition will improve considerably if an industrialisation is effected?

A. It is not the sole panacea. There is room for development in agriculture. But this industrialisation is a very important one.

21668. *Q.* Now there is a doubtful point which I want to clear up. In your answer to Question No. 24 you say that the wages of the industrial wage-earner will increase. Do you think that the increase will be proportionate to the rise in the prices?

A. It is very difficult to say. We are only talking relatively. Whether it would be movable to the last decimal fraction it is very difficult to say.

21669. *Q.* My object in asking this question was that in determining the extent of protection we will have to take into consideration the effect of a rise in price on the three classes : The agricultural classes, the industrial classes and the middle classes.

A. I should have thought that it would have been taken for granted that a certain amount of sacrifice will have to be made for the increased production in the future. My Committee is prepared to say that all the classes should make this sacrifice. To what extent these classes will be affected is a matter in which your Commission will be able to give more information than my Committee.

21670. *Q.* I take it your Committee is opposed to the policy of Imperial Preference?

A. Yes.

21671. *Q.* Because, I take it that your Committee thinks that it will mean no gain to India : on the other hand it will mean a certain economic disadvantage?

A. Yes.

21672. *Mr. R. A. Mant* :—*Q.* Mr. Purshotamdas, can you tell me what interests your Chamber represents,—I mean industrial or commercial?

A. All the prominent Indian industrialists are members of our Chamber, all the prominent Indian merchants are members of our Chamber, and all the prominent Indian bankers are members of our Chamber.

21673. *Q.* Importers and exporters also?

A. When I said merchants I meant importers as well as exporters.

21674. *Q.* You represent all the Indian trades and industries of Bombay?

A. That is what we believe. We have as our members various special associations, the Piecegoods Merchants' Association, the Grain Merchants' Association, diamond merchants, pearl merchants, tobacco merchants,—in fact we have been claiming that we represent the Indian commercial community in Western India.

21675. *Q.* But only the commercial community, not the agricultural community?

A. I do not think so.

21676. *Q.* In answer to Question No. 11 you say that you favour the imposition of minimum protective duties on all imported articles. The President has already discussed with you but could you tell me what you mean by the term "minimum protective duties"?

A. A protective duty to be added to the revenue duty with the intention and for the purpose of giving protection to the industries covered by that duty, that minimum being liable to increase according to the special cases that may be made out by the industries concerned.

21677. *Q.* What do you mean by the term 'minimum'?

A. As I told the President it may be 10 per cent. or 7½ per cent., or any other figure. I do not mean the figure required for each and every industry : I mean the least figure that will have a protective effect. It may not be the figure which will have a protective effect in the case of any particular article, but considering the various articles that are imported into India I take it that your Commission will be in a position to say that such and such a figure will be the immediate average for all the imports. That figure we had in mind as the minimum protective duty.

21678. *Q.* And you are going to add that to the present revenue duties?

A. Yes.

21679. *Q.* Even supposing that the present revenue duties may in effect be a high protective duty?

A. We want the imposition of a duty which is liable to adjustment according to the interests of the various industries concerned. We want something which could be moved up and down not merely for the purposes of revenue but specially because it would help an industry to be built up in the country.

21680. *Q.* I understand your idea is to have a fixed duty, — an all round rate,—and then to increase it for special industries?

A. That is the idea.

21681. Q. Take the case of say, matches, which are taxed to-day at 12 annas a gross, and will now I understand be taxed at Re. 1-8-0. That tax will amount to about 80 per cent. *ad valorem* on present prices and will in effect be a protective duty. Do you propose to add another 10 per cent. to that, if the average minimum is taken to be 10 per cent.?

A. Yes.

21682. Q. You will add your flat rate to that?

A. Yes.

21683. Q. And in the case of certain manufactured goods, which are at present on the free list, such as wood pulp, there are so many such articles, would you add your minimum protective duty to them also?

A. I would add the minimum on all manufactured articles imported.

21684. Q. You mean even those which are imported free at present?

A. All those should be taxed as long as they happen to be manufactured articles.

21685. Q. Well, I have only just had the time to glance at the Finance Member's speech. I think in many cases he has put up duties for revenue purposes as high as he thinks the industry can bear. If he puts them up further he will get less revenue. He quotes the case of tobacco. He does not put on a higher duty because he considers he would get a smaller revenue. Now, you want us to put an all round protective duty on the top of these revenue duties. If you do, you will be coming up against the Finance Member.

A. Is there not a difference between revenue duties and protective duties? In the case of revenue duties you look at the Rs. as. ps. that they would yield; in the case of protective duties you ask "How will I build up the industry?" Therefore, reduce the revenue if you think that the addition of the protective duty is going to affect your income. It is a question of examining these things from the immediate loss and the future gain. If you are going to lose in immediate revenue that is no reason why the industry should be retarded. If the revenue from certain articles is reduced, the protective duty will bring in money from certain other articles which did not yield revenue before.

21686. Q. Then the Finance Member might lower his revenue duty so as to neutralise the effect of your protective duty?

A. Yes, under the special circumstances to which you refer. (Mr. Muzumdar): I think any reduction in customs would be counterbalanced by increased production of more wealth within the country and the Government would receive more by way of income-tax from the factories which produce goods which were not produced before.

21687. Q. Turning to the question of foreign firms, you explained to the President that one of the reasons why your Chamber suggested that half the capital of the firms should be offered to and held by Indians, was the danger of foreign firms coming in here and forming, I understand, large combines and ruining the local industries, such as the cotton mill industry in Bombay, by cutting prices.

A. I mentioned the soap industry and the oil industry.

21688. Q. I want to ask you how having half the capital subscribed by Indians will stop an operation of that kind.

A. You will see that the answer to Question No. 18 is divided into two separate paragraphs. The second paragraph has nothing to do with the first which deals with the subscription of capital. The second paragraph deals with an extraordinary thing, which I think we may be told is a pure freak of the imagination and nothing else. We suggest that the Government should watch it and ask the firms to close up, if necessary. The matter dealt with in the first paragraph is normal: that is the case of foreign firms coming here and starting industries. We say that under the extraordinary circumstances mentioned in the second paragraph, that is if there was such a combination between the foreign interests working here and similar interests outside, and if it was proved to the satisfaction of the Government that they were selling their wares at an actual loss, the Government of India should have power to call upon them to produce their accounts to ask for reasons why they should not be ordered to wind up, and to order their winding up if necessary.

21689. Q. But even if these firms have half their capital in Indian hands, there might be combines among them?

A. It is a possibility.

21690. Q. Is there not an equal possibility of Indian firms combining?

A. Having connections abroad with foreign firms?

21691. Q. Indian firms may combine among themselves?

A. That is quite a different thing. Foreigners coming here and starting here and having sympathetic interest outside is a possibility which is more dangerous than the other one.

21692. Q. You do not think the other thing is a possibility?

A. It could be controlled by Indians here by legislation.

21693. Q. You contemplate anti-trust legislation generally,—not only against foreign firms, but against all combines?

A. Yes.

21694. Q. You anticipate greater danger from foreign firms?

A. In fact that was what my Committee thought should be done to avoid it.

21695. Q. In regard to companies you suggest that half the capital should be held by Indians. Would you have the shares separately marked to be held by Indians?

A. No; I do not think there need be any racial distinctions in the shares at all. Their share registers will show.

21696. Q. If I wanted to buy certain share from a foreigner, I could settle it then and there. But if I bought from an Indian there would be this difficulty that subsequently after the transfer, the company might say that it cannot be sanctioned. Would that not be a handicap?

A. It would be a handicap for both. My Committee realise that it cannot be got over at present.

21697. Q. I understood you to say that you do not see why the Indian shares should be of less value than the European share.

A. I still contend that neither will be of less value, both will be of equal value.

21698. Q. You admit that there would be difficulty in selling the Indian shares.

A. As I said, at the start there will be certain handicap.

21699. Q. An European could sell his share more easily and would therefore get a larger price than an Indian.

A. I do not see that; but even supposing such a thing is possible, it can be got over by the special circumstances in which India is placed.

21700. Q. I only ask this because I understand you to say that you do not see why there should be any difference in value.

A. If all the Europeans want to sell, their shares also will suffer.

Sir Montague Webb—

21701. There is twice the market for European shares, because the Europeans can sell anywhere. The non-Indian shares will have twice the market.

A. Why?

Mr. Mant—

21702. Q. The European can sell to Indians also.

A. Yes, the Indian public will be quite prepared for that sacrifice.

21703. Q. In answer to question 20 in regard to the increase in cost to the consumer your Chamber says that no man is a consumer alone and so on, and that the consuming and producing classes are for all practical purposes one and the same. You said that the Chamber does not represent the agricultural interests. I want to know whether in giving that view you had considered the interests of the agricultural producer.

A. I may say, Sir, that although my Chamber does not represent the agricultural interests, I may almost say that there would not be a single case put forward where my Chamber would overlook the agricultural interest; in this case also we have borne in mind the agricultural interest, but looking at the sum total of it we feel that what we say there is in the best interests of the country as a whole and the agricultural interest is only a part.

21704. Q. You say the consumer will not lose because he is a producer. This I understand is your main point. But in your scheme the agriculturist as a producer will not benefit, because his costs will be increased, while he will get no higher price for his produce. How will it benefit him as producer?

A. (Mr. Madan): The position is this, the agricultural population, as I pointed out some while ago, do not buy any large part of the imported goods and so the burden that is being imposed will not directly pass on to them. There will be some part that is passed on but it will be only partially. Then again, if industries are developed in the country labour is bound to be withdrawn from agricultural areas and this is bound to raise the general level of wages.

21705. Q. Excuse me for interrupting. How will this benefit the agricultural producer, the man who has to raise the produce from the land and who has to pay higher wages?

A. (Mr. Madan): The owner of the land, the zamindar may not get the advantage, but the bulk of the population

is agricultural labour, who earns daily wages. The bulk of the producer is not the owner of the land.

21706. *Q.* I think we have discussed this question before.

A. (Mr. Madan): Yes. If the consumer suffers at all by any higher burden on account of the import duty he will be compensated on the other side. That is what I am trying to point out in my explanation.

21707. *Q.* The agricultural producer will suffer and you said, I think, he has got to suffer.

A. (Mr. Muzumdar): Generally speaking if the industries of the country are developed, the purchasing power of the country also develops. Therefore the agriculturist would receive more and at the same time his purchasing power also would increase. New wealth will be created. Of course it will take a large number of years.

21708. *Q.* You think that eventually the prices of foodstuffs will rise as well as of other raw materials just as much as the manufactures?

A. (Mr. Muzumdar): Yes. That is the phenomenon that is going on all over the world. If more wealth is produced, prices must rise.

21709. *Q.* Your Chamber is strongly opposed to any policy of Imperial Preference. I do not want to go at length into this question. I want to ask you only on one point. You say if preference was given to the United Kingdom the result would be that foreign articles would be imported through the United Kingdom under British guise. Do you know whether that result has actually occurred in the case of the colonies which give the United Kingdom preference?

A. As far as India is concerned, it has been the practical experience of some of our members that articles do come through the United Kingdom on the way to India, for instance from Germany.

21710. *Q.* India at present has no preferential tariffs.

A. That is not owing to differential import tariffs, but owing to certain restrictions of direct import from there.

21711. *Q.* There is already a considerable trade between England and the colonies under this preferential system. Surely this objection which you raise here would have been felt there if it is a valid objection.

A. My Committee have not enquired into that. Therefore, I am afraid I am not in a position to answer that.

21712. *Q.* Many countries have differential duties against other countries. Japan for instance, has one tariff for some countries and another for others. They have not found any difficulty in applying differential tariffs.

A. I have no information. (Mr. Muzumdar): His Majesty's Trade Commissioner of India in Ceylon says in his latest report—every effort should be made to stimulate imports of Indian produce and manufactures to the United Kingdom and to retain our valuable entrepot trade which has—in the past—been of incalculable benefit in stimulating British exports.

21713. *Q.* I do not see the relevancy of that to my question. My question was, has any difficulty been experienced in the case of trade between the United Kingdom and the colonies which give preference or in the case of foreign countries which have differential duties against other countries? That is my question.

A. (Mr. Muzumdar): As Mr. Purshottamdas said, I cannot answer.

21714. *Q.* I thought you were trying to answer.

A. (Mr. Muzumdar): I thought of answering in a general way.

21715. *Q.* I wanted a specific answer. We need not digress over the matter. Your Chamber ends the note by saying that economic death means every other death. Do you think that the trade in Bombay shows any signs of economic death?

A. No, I think Bombay is alive, but we do not want it to die.

Mr. Birla—

21716. *Q.* Do you think the development of industries by foreigners will contribute to the national wealth to the same extent as if the industries were developed by Indians?

A. Development by Indians is preferable.

21717. *Q.* Do you think it will contribute to the national wealth to a greater extent than if the industries were developed by foreigners?

A. Naturally.

21718. *Q.* Do you think that the foreign managed industries will offer the same scope of employment in the higher appointments to Indians?

A. It has not been so till now.

21719. *Q.* That is your actual experience?

A. It is the acknowledged experience of everybody.

21720. *Q.* It has been suggested to us that if there was a predominance of Europeans or rather foreigners in the industries they will always be against the legitimate political aspirations of the Indians. Do you think there is any truth in that statement?

A. Do you mean to say that European industries in India would hamper our political aspirations? (Mr. Muzumdar): Do you mean political growth?

Sir Edgar Holberton—

Surely this will make the matter very complex.

Mr. Birla—

21721. I simply put in before Mr. Purshottamdas, because it has been suggested to us by one of the witnesses we have examined. I want to know if there is any truth in this statement.

A. If I said, yes, you would ask for an example. I do not know whether this has been the case. It is quite possible that there may be such an impression in the minds of the Indian public. But I cannot say what grounds there are for such an impression.

21722. *Q.* Do you think there is such an impression?

A. Yes, there is such an impression, but I do not know to what extent.

21723. *Q.* But is there such an impression?

A. There may be.

(Mr. Muzumdar): Do you mean that vested interests like the English Chamber of Commerce who would naturally be represented in the Council of State and in the legislatures of the country would shape our will in the interests of the industry, or something like that?

21724. *Q.* Yes.

A. (Mr. Muzumdar): It is difficult certainly to give an answer.

21725. *Mr. Rhodes.*—There are three European members in the Councils; has there been any criticism of them in the Council of State?

A. (Mr. Muzumdar): The English Chambers have not necessarily taken the same point of view, as far as the Indian interests are concerned, as Indian Chambers would have. Sometimes our interests are in conflict.

21726. *Mr. Birla.*—Besides the employment of labour, can you tell me what more benefits there would be by the establishment of foreign industries?

A. Besides the employment of clerks, I am afraid I do not know anything else.

21727. *Q.* Would you think it is in the interest of India that we should have some restriction that at least 50 per cent. of the capital should be Indian?

A. Yes.

21728. *Q.* Don't you think it will be a handicap more to the Indian investors rather than to European investors?

A. Yes.

21729. *Q.* You think the Indians are quite prepared to make that sacrifice and you think they could reasonably sacrifice to that extent?

A. Yes.

21730. *Q.* In the latter part of your answer to Question No. 18, you say, 'It is possible that non-Indian firms established in India to take advantage of the protective tariff, may try to make common cause with their interests abroad and in their strength use unfair means to strangle newly born Indian competitors.' Do you think that foreign shipping used unfair means to strangle the newly born Indian shipping companies? At present is there any such undue competition between foreign shipping and Indian shipping companies?

A. I am afraid the Indian shipping companies are yet so small in stature and in size that the foreign shippings have not attempted to put them down. But it is quite possible that if the Indian shippings do assume any size there will be that competition.

21731. *Q.* If there is such unfair competition between the foreign shipping and the Indian shipping, would you suggest tht the Gover nment should come to the rescue of the Indian shipping companies?

A. What the Committee say in paragraph 2 of the answer to Question 18 is not on all fours with the analogy of shipping. I am quite prepared to go on with the shipping analogy, but what is suggested here is, in regard to industries put up in India by people who are working in league with the people who export to India. Therefore there is nothing common between the two.

21732. *Q.* If there is such undue competition between the Indian shipping and the foreign shipping company, would you suggest that Government should come to the aid of the Indian shipping?

A. Whatever reply I give to this question will be my own, because you have asked nothing about it in the questionnaire.

21733. *President*:—You are entitled to give your answer in your individual capacity, because it would avoid questioning you in your personal capacity later on.

A. As far as shipping is concerned, I think it is a very sore problem in India. In fact there are no Indian shipping companies of any status or standing and it is naturally therefore a high aspiration.

21734. *Q.* Would you kindly tell me why there are no shipping companies here?

A. That will take me into the history of shipping enterprise which I am afraid the time at our disposal will not permit. If you ask me as to how the Indian shipping could be encouraged, I personally think that the best way would be to restrict the coastal trade of India to certain conditions that the Government of India may lay down. Anybody falling in a line with that would be allowed to touch at these coastal ports. (I am saying this as my own personal opinion). No body who is not prepared to fall in line with it, should be allowed. Thus you would not only do away with competition which is against Indian interests, but I think it is very necessary to watch and correct where there is any unfair competition by foreign powers.

21735. *Q.* Would you make any distinction between foreign shipping companies and Indian shipping companies?

A. I would certainly make between British and foreign.

21736. *Q.* Would you make any distinction between Indian and British?

A. The only distinction I would make is that the British should fall into line with the conditions which may be laid down in such a manner as would give the Indian shipping encouragement.

21737. *Q.* You leave the details to the Government of India?

A. I mean the Assembly.

21738. *Mr. Rhodes.*—*Q.* Mr. Purshottamdas, with regard to shipping I will go one step further. We have had constantly before us complaints about railway rates and the high cost of transport. We shall have more complaints, I understand very shortly, when they raise it again. In your suggestion to Mr. Birla, I have a good deal of sympathy. You would not, however, I take it, want any legislation to encourage Indian shipping which would have the effect of raising freights round the coast. The Indian mills compete in Calcutta and probably in Rangoon and Madras markets with the Japanese goods. If we can get cheap rate from Bombay to Calcutta, there will be more Indian goods. You would not encourage Indian shipping in such a way as to raise the rates which would handicap the establishment of Indian industries.

A. I do not see that it should be necessary to raise rates in order to encourage Indian industry. But there are other handicaps and there are other small points which although they may look small on the surface may have a far-reaching effect.

21739. *Q.* But your solution would not be that particular one.

A. If necessary I would try and avoid it, but if it is inevitable, I won't say nay to it.

21740. *Q.* I do not quite like the expression to the discredit of British rule in India. I will read it another way. You have suggested that the agriculturist should make certain sacrifice. You use the expression 'we should make certain sacrifice for the benefit of industries' which your Chamber represents.

A. By 'we' we mean 'Indians.'

21741. *Q.* But you are here representing industries and commerce and not agriculture. So if the sentence had been written like this—'The fiscal policy of this country has hitherto been dictated by the vested interests in Bombay, be it said to the discredit of the Bombay Merchants' chamber,' you would say that the statement is untrue. What I want to point out is that Britain went in for a policy which we are only now investigating.

A. After how many years rule in India? You are investigating it only now at the injunction of the Government of India.

21742. *Q.* Of the Assembly.

A. Which means with the consent of the Government of India. The Government of India have been ruling in India for how many years?

21743. *Q.* A century we will say.

A. This surely should have been gone into and decided already with the consent of the people and after taking their evidence.

21744. *Q.* Then perhaps the word discredit would not have been used?

A. I fully agree that the word 'discredit' is a very strong one but I also think that when a special commission is appointed by the Government of India for the purpose of finding out the Indian sentiment and opinion it is better to talk frankly. The word 'discredit' is not unparliamentary and it is not meant except to show the feeling prevailing in the Indian commercial circles. But the difference that you seem to try to make, the difference between the agricultural and the commercial interests of India, I may be allowed with your permission strongly to protest against.

21745. *Q.* Let me say, I do not make that assertion. It was a mere inference from your remarks.

A. I say it would have been a very unfair inference from my remarks that we are protecting our own interests against the agriculturists.

21746. *Q.* I would not have made that remark.

A. If you had not, I won't protest. But I certainly feel that it is no good saying to the Indian Merchants' Chamber or to any other Indian body 'you represent your interests only; you don't represent agriculture.' May I ask who represents agriculture, whose evidence have you taken and what have they said? Can you tell me that?

21747. *Q.* That is our biggest trouble.

A. Is it wrong to say that we will look after them as best as we can and we will submit to you what is needed in the best interests of India. Why cut us out from the general Indian public?

21748. *Q.* That is my point.

A. Exactly, Sir, if you will only give us credit.

21749. *Q.* I give you credit but I want you to give credit to the British Government also.

A. In our opinion we think that it is due to them. But you ought not to mind our telling you what we feel very strongly and very keenly.

21750. *Q.* You criticise the past policy.

A. That is all.

21751. *Q.* There has been a good deal of discussion in regard to Question No. 18. I have got a good deal of sympathy with what you have said here because I was brought up in a city at home where we had this constant danger always present in our minds of a German invasion of capital. This went on to my knowledge for 20 years and never matured. It was a scare which I think was merely a scare. You have illustrated a very good instance in soap which is a very small and struggling industry in India but is a very powerful industry in a few hands in England in other parts of the world.

A. It occurred to me casually.

21752. *Q.* Soap is a much better illustration. Let us suppose Lever Brothers were to establish a factory and sell below cost. How much of the consumption of India would you anticipate them selling? You are protected by a 15 per cent. import duty on soap. Let us suppose it costs Rs. 100. Now it will be Rs. 115. Let us assume that ordinarily a soap manufacturer could manufacture at Rs. 110. Therefore he has got a slight preference. I want you to explain what would be the action of this subsidiary company which may be set up.

A. That is rather more than I can answer. I tell you in what direction our apprehension is. Supposing this company that you mentioned put up a factory and they begin to sell soap at a rate which the competing Indian manufacturer finds makes them lose 20 per cent.

21753. *Q.* We will say at Rs. 108.

A. One could understand the difference in price in the first six months and later on the Indian Industry must go to the Standing Committee and tell "what is this, we cannot understand it." For superior supervision and for better administration one could allow for 5 or 6 per cent. reduction in cost but when it goes beyond that there is surely room for enquiry.

21754. *Q.* I want to explain the difficulty that Lever Brothers would be up against. They could not import soap except at a very high value owing to the duty.

A. Yes.

21755. *Q.* If they are going to manufacture below cost the whole production.

A. For a year or two, not permanently.

21756. *Q.* They are going to run into enormous losses. If they are not going to manufacture the whole, there is plenty of room for the new companies to come in. When they are selling at a loss, they are cutting their throats. Is the danger real?

A. It may not be. Is there not a possibility?

21757. *Q.* I don't see the possibility.

A. As I said it may be a remote possibility but that it is not a possibility my Committee would not agree. That it is a very remote possibility my Committee fully believe and hope and they have only mentioned this with a view to bring before the Commission what they consider to be a sort of special circumstance which may crop up hereafter.

21758. *Q.* Your view would be that this is not an immediate danger.

A. No.

21759. *Q.* But if it was, you would advocate legislation.

A. Yes.

21760. *Q.* I just want to make the position quite clear. Let us leave the words revenue and import duty and protection out of the question altogether. Just now we have got a flat rate of 15 per cent.

A. Yes.

21761. *Q.* I understand that the view of your Chamber is that under the protection of 15 per cent. you would keep a watchful eye as to what industries show signs of developing and if you find that a particular industry requires a little extra protection, you would go before the Assembly and get it: that is the alternative you advocate.

A. No. All that we say is that if any special industry then wants more than the minimum, they would apply to the Standing Committee and make out a case as to why they want more, and the necessary increase may be given where it is justified by the case which they present.

21762. *Q.* Yes. The first preliminary is the 15 per cent. minimum on everything in order to test what industries are likely, with a little extra encouragement, to stand on its own legs. You would have industries starting up in a small way under the present protection of 15 per cent. and then when you see that these industries were practicable propositions with a little more help you would go to your Standing Committee and say 'give me another 5 per cent. or 10 per cent. and the industry will go ahead.'

A. Is the 15 per cent. protection minimum or the revenue duty that is on at present.

21763. *Q.* I am not calling it protection. I am just thinking that there is 15 per cent.

A. You suggest that 15 per cent. may be taken as 15 per cent. protection. My Chamber thinks that if this was enough—it is 15 per cent. now; it was something like 11 per cent. last year—we might have seen some beginning in that direction. Before the war it was much lower than that, it was only 7½ per cent.

21764. *Q.* Can you give me an idea as to what the minimum should be?

A. No. Over and above the revenue customs import duty, there must be an additional protective duty.

21765. *Q.* I would rather abolish revenue duties for the sake of argument and have nothing but protective duties as high as you like.

A. What you want to ask is whether we have considered what the minimum should be. The figure has not been decided by the Committee. The Committee thought that they could only indicate generally the direction they would like it and that your Commission would be the best body to decide the figure.

21766. *Q.* You made a very important point when you pointed out that the raising of the duties sometimes kills the revenue but in a case of protective duty, you don't care if it does. Of course your aim is to protect.

A. Yes. You don't put on a protective duty for the purpose of encouraging the imports but for the purpose of encouraging local industries.

21767. *Q.* From the revenue point of view, excise duties in some form or other will probably be essential. As Mr. Muzumdar pointed out as you kill the foreign imports, you will have to draw your revenues from the industries of the country.

A. Yes, but excise is not the form, not the most desirable form in which it is drawn, but in the shape of taxes like super-tax, the natural forms of taxation. When Mr. Muzumdar said that the local industries should pay more taxes, I don't think that he had in his mind the excise duty but the other ordinary taxes.

21768. *Q.* What I want to point out is whilst the countervailing excise duty is strongly objected to by anybody who looks from the protectionist point of view, the excise duty for revenue purposes need not necessarily be morally wrong.

A. For revenue purposes?

21769. *Q.* Yes.

A. I am afraid that the sting of the whole thing is that the excise duty was put on not for revenue purposes but for the purpose of satisfying vested interests, India will never agree to these excise duties.

21770. *Q.* Because of the history!

A. Yes, very bad history.

21771. *Q.* Any excise duties which may in future be put on, will have to be passed by the Legislative Assembly.

A. Let this be abolished and we shall begin with a clean slate. I am afraid that the excise duty is doomed before the Indian Legislative Assembly under any circumstances. Take this off first, begin with a clean slate and then say what you have to say. But as long as it is on the Statute Book, it will never have the sympathy even of a moderate man.

21772. *Q.* You have expressed my point.

A. You don't mind my anticipating it.

Mr Seshagiri Ayyar.—

21773. *Q.* Mr. Rhodes asked you whether the killing of a nascent Indian industry is not a remote possibility and whether it is not a fanciful thing. Do you remember the case of the Swadeshi Steam Navigation Company started in Southern India to ply between Tuticorin and Colombo.

A. We remember it well.

21774. *Q.* It was largely subscribed by Indians.

A. Yes.

21775. *Q.* You know that three steamers were purchased in Bombay.

A. May I point out Mr. Ayyar that what my Committee says in answer to Question No. 18 is not parallel to the Shipping Company.

21776. *Q.* That is open competition, and you know as a matter of fact that the British India Steam Navigation Company actually killed the new company by reducing their rates?

A. So we were told.

21777. *Q.* I can tell you this. I was a shareholder. The concern was actually killed. It was not purely a fanciful idea. It is just possible that British firms may so adjust their rates as to kill a nascent industry. You want to protect yourself against a possibility of that nature. You know, Mr. Purshottamdas, that in other countries similar precautions had been taken as against foreigners establishing themselves. For example you will find that in the Alien Naturalization Act of England there is a similar provision. The aliens are not allowed to hold shares in the mercantile marine of England. Yesterday we had witnesses representing the Japan Cotton Spinners Association and they said that no shares were allowed to be held by Indians. You say that there must be similar restrictions in this country also so that Indian industries may thrive and may not be at the mercy of those who are likely to stifle it?

A. Yes.

21778. *Q.* Before I leave this point I should like to ask you whether any representations had been made by Indians to the Government of India as regards the shipping trade that it should be largely in their hands?

A. As a Committee, we have not considered that at all. I think that our Chamber did not make any representation to the Government of India. A few months back I was not in India. I was away in England. That was not the time when I was the President of the Chamber. What I said to Mr. Birla and Mr. Rhodes was my personal opinion.

21779. *Q.* There are one or two questions about the handloom industry I should like to ask. I understood you to say that the handloom industry is not economically a sound one.

A. I did not say that.

21780. *Q.* In answer to Mr. Jamnadas Dwarkadas you said that the handloom industry was not economically a sound one?

A. I could not recall the words. It would be most remote from my mind to say that.

21781. *Q.* You don't believe that it is uneconomical?

A. I don't know how I could have said that.

21782. *Q.* As regards the handloom industry, you know that the Director of Industries of Bihar and Orissa says that 95 per cent. of the products of the handloom industry compete with the powerloom industry. I think that you said that there is no competition between the handloom and power loom industries at all.

A. No competition between them! There is competition up to a certain point. I think in reply to Mr. Jamnadas Dwarkadas I said that the excise duty does act in favour of the handloom industry.

21783. *Q.* If the excise duty apart from its history and apart from its very bad name is, as you say removed as excise duty which was imposed for the purpose of placating Manchester and if we have an excise duty for the purpose of encouraging the handloom industry, will you have any objection to that?

A. Call it anything else. I am not prepared to reply to this on behalf of the Committee. Personally I should keep an open mind.

21784. *Q.* You would not be opposed to it.

A. I could not say, but I would consider it.

21785. *Q.* You know that there are six million people engaged directly in the handloom industry in this country. There are a large number of other people also.

A. I would say this. Before I ask Government to give the handloom industry any such direct encouragement by way of penalising the power industry I certainly feel that there are many directions in which the handloom industry can be materially developed. It would be better to help the industry in that direction first and then go on to the other question.

21786. *Q.* You would not shut out the possibility.

A. No.

21787. *Q.* Now as regards the question about agriculture, whether agriculture is not likely to suffer by the labour being drafted from agriculture to the industries. In Bombay in consequence of the rural population having gone to the industries, there are not as many emigrants outside India as there are in Madras and the United Provinces In Madras and the United Provinces there are no industries as in Bombay. The result of this that these people find no work and migrate from India to the great detriment of India and this leads to political complications.

A. Yes.

21788. *Q.* Therefore your view would be if there are industries established in Madras and in the United Provinces the result would be to give labour to these people and stop the migration.

A. The surplus population wants employment and the industries would give it. Agriculture would not suffer.

21789. *Q.* There was some suggestion made, Mr. Purshottamdas, that if an import duty was imposed, it would have the effect of enabling the agriculturists to store the grains. As a matter of fact if an export duty was imposed, it would have the effect of making them stores If there is no export duty he would go to the open market and sell his goods. If on the other hand the agriculturist stores his goods, there will be the danger of looting and the danger of fire. There will thus be no inducement for the agriculturist to store up his grains. You are against the export duty.

A. Because the export duty is collected at the expense of the cultivator. But I really could not understand what connection there is between export duty and the storing of goods.

[The examination of these witnesses was concluded at this stage on the 1st March. They were again examined on the 2nd March.]

Mr. T. V. Seshagiri Iyer—

21790. *Q.* Mr. Purshottamdas, do I understand you having said on the other occasion that none of the existing duties will be sufficient as a protective duty?

A. Well, I can reply to it like this, Sir, the revenue duties as they existed till now have not contributed to the promotion of industries in the country.

21791. *Q.* That is true: there is no doubt about that. I am speaking of the recent rates.

A. You mean the increased rates brought into force yesterday? Probably they would be all right.

21792. *Q.* Then as regards the rate that existed before the date you gave evidence (that *is* on the 28th February) are you prepared to say that nothing that existed on that date would be regarded as sufficient to give protection?

A. As regards that I would like to read a letter addressed to me by Mr. Muzumdar to-day. Mr. Muzumdar writes to me:

"I am afraid there is some confusion in the minds of the Commission on the suggestions we made yesterday in our evidence on this subject. And I think it ought to be cleared up by a statement from you when they examine us this afternoon. You submitted that the minimum amount of *protective* duty on all manufactured articles should be 10 per cent. and that that was to be over and above the duty at present levied for *revenue* purposes. Till yesterday the general revenue duty stood at 11 per cent. *ad valorem.* On that basis we should have a protection of 21 per cent. *But* it would be open to the Government of India at any time to *reduce* the revenue part of the duty, say, to 5 per cent., and we should then be left with a protection of only 15 per cent. And since Government would realise the proceeds from the protective part of the duty also, they might not be interested in keeping up the level of the revenue part of the duty. It would not be impossible for them some day to reduce the revenue part to, say, zero, and we should then be left with a protection of not more than 10 per cent.—that is to say, we should be no better off from the protective point of view!

Such a negation of the very object of levying a *sufficient* amount of protective duty must be guarded against, and I would suggest therefore a sort of proviso to the recommendation we have made to the effect that in no case should the combined extent of the revenue and protective parts of the duty fall up below 20 per cent., or, I would even go further, 25 per cent."

21793. *Q.* If a 20 or 25 per cent. protection is imposed would it not tell heavily on the consumer?

A. Well, Sir, for revenue purposes, it has not been considered to tell heavily on the consumer. Why should it tell heavily on the consumer if you look at it from the protective point of view? For revenue purposes the duties have been raised without consulting anybody and whatever was considered necessary has been put on.

21794. *Q.* There is only one more point. You have served as a member of the Railway Committee. There has been a great deal of complaint as regards the incidence of transport charges, and the justification has been that a long lead cost less per mile than a short lead and so on. What is your view?

A. As far as that question is concerned the Railway Committee took the view that their terms of reference did not include this particular item. As you may remember, Sir, it was a question whether the railways, when the contracts with the companies expired, should be managed by the State or by the companies. The Committee, therefore, decided that it was not part of their duties to go into details, but they did recommend a sort of tribunal to go into each individual case. The tribunal should consist of one railway official, one representative of the commercial community and one lawyer. The lawyer should be the President and should have some knowledge of commercial and especially railway matters. Sir William Acworth, who was the President of that Committee, very strongly felt that with a similar organisation in England they had been able to get round every such grievance. We felt and I was one of those who felt, that the railway committee should not go into the individual cases. There was a great deal of grievance put forward about the difference in treatment between English commercial houses and Indian commercial houses. If we have such an organisation, and if the right sort of men are available—it should not be difficult to get them—all our grievances would be redressed.

Mr. Coyajee—

21795. *Q.* In your answer to Question No. 11 you favour the imposition of minimum protective duties on all imported manufactures. Now don't you think, Sir, that the alternative of granting protection only for the most promising industries holds out larger chances of success?

A. There is a great deal that can be said on both points. Our Committee did go into that very thoroughly. They felt that in the case suggested by you the responsibility of deciding which are the most likely industries which could be developed in the future will fall on a Committee the members of which may not be in touch with every industry. They further thought that in view of the financial state of India, perhaps their scheme would be the best way of meeting the case. At the end of 10 or 12 years the whole situation might be reviewed and the import duties, if they were considered unnecessary in any case, might be removed.

21796. *Q.* If the most promising ones were selected there would be an immediate increase in the production of those industries and the prestige of protection would be increased and capital would be forthcoming more readily in the future for other industries.

A. That may be true, but we have to look at it from the other point of view. Would this minimum protection work to the detriment of the most promising industries? I think it would not prevent the most promising industries from being established and it would bring more capital. The only objection that could be urged against our proposal is that it would handicap the imports of other commodities which are not likely to be manufactured in India.

21797. *Q.* And as a corollary, I suggest, it might discourage our exports.

A. How?

21798. *Q.* If we are not importing from other countries, how they can import from us?

A. That is a large question. Other countries buy from us because they want our goods. If we do not produce the goods on which we impose a protective duty, we would continue to import those goods. I do not believe that any country buys for the convenience of India.

21799. *Q.* What I was most afraid of was that it might lead to indiscriminate experiments being made by people, which if they result in failure, might put back development.

A. It would be most desirable to guard against any such indiscriminate experiments, but as you know during the last boom period, even without any protection, people did rush into industries indiscriminately. I do not think you can prevent by any method people rushing in by over-enthusiasm.

21800. *Q.* The war gave us protection all round and thereby gave rise to indiscriminate experiments and some of them have failed. That might prevent capital coming to even promising industries.

A. The pity of it is that protection was of such a short duration that it took very little time for those industries to go to the wall as soon as the war conditions expired. People did not realise that that protection was only temporary.

21801. *Q.* In answer to Question No. 19, you say: "In a conflict of interests, the balance of advantages to the country as a whole should be the determining factor in any solution that is applied." We welcome that suggestion, because some conflicts have come before us, *e.g.*, the conflict between steel, machinery and finished goods. If we give protection to steel the price of steel will rise, and the makers of machinery will have to pay a higher price for their raw material. If to satisfy them you give protection to them also, the manufacturers of finished goods suffer because they have to pay a higher price for their machinery. This sort of conflict of interests arises. Now, what sort of test would you apply in such cases to decide which of them should receive protection, and in what measure?

A. (Mr. Muzumdar): I think, Sir, it will not be difficult to decide on the balance of advantages spread over a long period of time. In all these I think you have to take a long view of things. It may be that the iron and steel industry will get encouragement if we have a sufficiently high protective duty. To that extent we should be able to manufacture the products of a key industry that is very necessary to this country. Later on, if half a dozen companies spring up in India, prices will automatically come down, and we can have the raw material for machinery and other things at a cheaper rate. You assume that the price of iron and steel will always remain high, but I assume that it will not.

21802. *Q.* So, if you take a long view of things, you would give protection rather to the basic industry?

A. Yes, but there is no reason at the same time why we should not give it to other industries also. We should not be dependent always on the foreign manufacturers of machinery.

21803. *Q.* How would you distribute the protection between these?

A. The iron industry has made a good beginning and it is suffering at the present moment by competition from other quarters. People are selling iron and steel below the cost of production. Therefore there is a reason for high protection up to 33⅓ per cent. in the case of iron and steel. In the case of machinery we have still to make a beginning and I should not consider that case as urgent as the case of iron and steel.

Sir Montagu Webb—

21804. *Q.* I have been studying the memorandum of the Indian Merchants' Chamber and Bureau, and I confess I have read your remarks about the economic death with considerable surprise,—surprise because I have hitherto regarded Bombay as the second city in the Empire, and I believe there is a great group of industries in this country greater than in any other tropical countries, and I have always regarded Bombay as very progressive and highly prosperous. In this part of the country more than in any other, I think, we have seen from practical experience that Indian genius and Indian enterprise has not only succeeded in holding its own, but there is no doubt it is steadily ousting British enterprise. That is not the case in Bengal or Madras, but in this Presidency it is the case that Indian enterprise has made very great progress. Therefore, I have read with great surprise those references to the economic death which is staring you in the face unless a system of protection be adopted. I cannot help thinking that Bombay merchants are unduly pessimistic. What makes you think that the position has become so dangerous?

A. I am glad to hear your flattering references to Bombay and the Bombay Presidency, but the evidence that has been submitted to you has not been based on the conditions in Bombay, but on the conditions all over India. If you admit that in Bengal and Madras there is a good deal to be done, I think we are quite justified in making those remarks. Our remarks reflect not the conditions that exist in Bombay alone, but the conditions that exist all over India. I wonder whether those remarks, as reflecting conditions throughout India, would surprise you.

21805. *Q.* Coming from the Bombay merchants I thought it expressed the Bombay conditions.

A. I am sorry. We Bombay merchants are not so short-sighted or selfish as not to look beyond Bombay. I assure you that we are trying to look beyond the Bombay Presidency when an all-India question comes before us. In view of this, you won't be surprised. It is quite accurate, I think.

21806. *Q.* Not at all. There is no part of the British Empire in the tropics where there has been so great a development of industries as in India. If I am mistaken will you tell me? We have got in India the biggest cotton industry in the British Empire, the biggest jute industry; then there is the iron and steel industry. I do feel that your remark is an exaggeration and that it is unduly pessimistic.

A. Do I understand you to say that there is not much still to be done. Do you think that we have done so much in India that we can flatter ourselves and say: "Hallo! what fine fellows we and our forefathers have been." My Chamber has said that there is still much to be done. They feel that if protection had existed a quarter of a century ago, we would have advanced much more than we have done. Considering the size of India, there is so much more that remains to be done. If we are pessimistic at all, it is because there is so much to be done and so little has been done.

21807. *Q.* Personally as a very old resident of this country, I do not share your pessimism. I think the prospect is promising.

A. We hope your optimism will prove true.

21808. *Q.* Please refer to your answer to Question No. 23. Am I right in thinking, from your wording of the last two lines there, that your association believes that a tariff more than anything else will foster the growth of industries in this country?

A. The tariff is not the only thing nor the main thing, but coupled with other things the tariff is a very necessary thing. As you know when the Industrial Commission was appointed, this question was kept out of its terms of reference. A special Commission has now been appointed to examine that question. Therefore you can realise the importance of the tariff. To say that the tariff by itself will solve the problem will be as far from the mind of the Indian Merchants' Chamber as from the mind of anybody else.

21809. *Q.* But some Bombay merchants told us yesterday that the tariff was 95 per cent. of the problem and the balance was 5 per cent.

A. I am not here to criticise what others have said before you yesterday. My Chamber feels that the tariff is not the only thing for the regeneration of India.

21810. *Q.* In your reply to Question No. 18 you have introduced the idea of controlling the holding of capital, and I think your point of view is that you would prefer that the economic development of the country should proceed at a slower pace rather than it should be carried forward by the aid of foreign capital uncontrolled?

A. That is it.

21811. *Q.* Is there anything in your experience at the present moment to prevent Indians holding 75 per cent. or 80 per cent. of the capital of any company or firm?

A. There is nothing.

21812. *Q.* Could you give me any rough idea, or are there any statistics to show what percentage of capital is held by Indians in this Presidency?

A. In what sort of concerns?

21813 *Q.* In limited companies.

A. I should think in Bombay Presidency quite a big proportion would be held by Indians.

21814. *Q.* Most of the capital, surely?

A. Quite possible, but I am not aware of any statistics that are available as to what proportions are held by Indians and non-Indians.

21815. *Q.* I wondered if you had any experience which led you to think it necessary to introduce this legislation for the future, whether anything had happened in the past which necessitated such a legislation for the future. I know of nothing. With the imposition of a tariff wall the promotion of industries here is going to be at the expense of the people of this country, isn't it so?

A. Yes.

21816. *Q.* I do not know of any other country in Europe which proceeds on these lines. Can you give me a parallel?

A. The condition under which India now is exceptional. Can you point out any parallel to that? If some extraordinary precautions are suggested, is that out of the way?

21817. *Q.* You consider that these precautions are necessary, because of the additional inducement to industrial enterprise which will be brought about by the protective policy to be introduced?

A. Yes.

21818. *Q.* Does your Association recognise that the policy of protection is at the expense of the great mass of the people?

A. It has been all over the world.

21819. *Q.* Many orthodox free traders think that they have considerably improved by a system of free trade.

A. That is a matter of opinion.

21820. *Q.* I say there are a large group of free traders who hold that opinion.

A. On the other hand there are prosperous countries like America and Japan which have progressed by a policy of protection. Is not the actual working likely to carry more conviction than mere theories?

21821. *Q.* I do not think so, because there has been I believe still greater progress in the United Kingdom during the last 50 years.

A. In regard to that progress, I will have to turn to my friend Mr. Muzumdar.

(Mr. Muzumdar): If you only cast a glance over the past history you will find that England herself developed originally by tariffs.

21822. *Q.* For the last 50 years under a policy of free trade the progress of the United Kingdom has been greater than any other country.

(Mr. Muzumdar): Exactly; but that is after the foundation was laid. Why don't you go to the root of the matter?

(Mr. Purshottamdas Thakurdas): We have been trying to lay the foundation of industry in India. If you want anything by way of comparison, you must go back to the original condition in which England was. Otherwise the analogy will not be on all fours.

21823. *Q.* No doubt in the progress of years we shall see as to which line of thought is more correct.

A. I may submit Sir that half a century has shown what free trade has done for India. I think the determination of India to try the other policy is quite justifiable.

21824. *Q.* I do not say anybody objects to trying. I should not, for one, certainly.

A. (Mr. Madan): If free trade is good it is surprising that every one of the self-governing colonies has discarded the free trade policy and gone in for protection and a heavy protection too. That shows that at least the bulk of the world do not agree with the conclusions come to by theorists.

(Mr. Muzumdar): Even in England there is a very strong protectionist element. It is not dead yet.

21825. *Q.* Yes, we have the safeguarding of Industries Act, a source of ridicule to many people.

21826. *Q.* In reply to Question No. 30 your Association holds the view that no export duty should be levied for protective purposes. In reply to Question No. 33 you suggest that such duties will not lower the prices for the producer.

A. That is it.

21827. *Q.* Do you mean that you do not desire the producer of raw products to get less than he otherwise would? Would you give him the benefit of the world market?

A. Yes.

21828. *Q.* The other type of producer, the producer of manufactured goods, you treat him differently from the producer of raw goods?

A. Yes.

21829. *Q.* Let us get clear of this. The producer of raw products is the agriculturist. Who is the producer of the manufactured goods? Is it the labourer or the industrialist?

A. Both combined.

21830. *Q.* You think it is in the best interests of India that the producer of raw materials should have the world markets at his disposal?

A. Absolutely so.

21831. *Q.* How is the other producer, the industrialist at a disadvantage?

A. He has to fight hostile tariffs in other countries. That is beyond our control.

21832. *Q.* Then with regard to Imperial Preference, suppose you omit the word Imperial and substitute the word Mutual. Would you be opposed to a policy of mutual preference that is to say, a policy in which there is an economic gain to both sides?

A. Mutual between India and any other country at the discretion of the Assembly here, is that the idea?

21833. *Q.* Yes.

A. Absolutely at the option of India and no body else, I mean not controlled by anybody else except the Assembly?

21834. *Q.* Absolutely independent of any other country and based on economic gain?

A. I dare say they may not. But are those conditions prevailing at present so far as Imperial Preference is concerned?

21835. *Q.* I personally have never dreamt of a type of Imperial Preference in which the gain is only on one side. I should certainly be very strongly opposed to it.

A. It is on that basis that our position is based.

21836. *Q.* If a policy by which you are perfectly free to negotiate for your own advantage is adopted you would have no objection?

A. Without the veto or sanction of anybody else except of the Assembly?

21837. *Q.* Yes, quite independent?

A. Without any control from Whitehall?

21838. *Q.* Yes.

A. (Mr. Madan): Does it not come to freedom to negotiate commercial treaties? If you ask whether our Association is in favour of the Assembly having absolute freedom and control over commercial treaties, we would certainly say 'Yes.'

21839. *Q.* You would not hesitate under these circumstances to negotiate a policy of mutual trade preference?

A. No, when it is a kind of negotiation favourable to us. As far as our remarks are concerned I submit that those circumstances seem to be rather remote. Our Committee objects most emphatically to a policy of preference where the Assembly has merely to give its consent and everything is regulated from somewhere else outside the Assembly.

21840. *Q.* I am not surprised at your Committee objecting to that kind of preference.

A. (Mr. Muzumdar): If the balance of advantage is on our side, we should have no objection.

21841. *Q.* In the conclusion of your note, you say that the cry for protection in this country has been long sustained. Have you no apprehension in Bombay of any shortage of labour to supply these industrial developments?

A. My personal experience is that our industries are losing their best labour, capital and the technical knowledge.

21842. *Q.* I am inclined to think that it will be very difficult to find adequate labour, adequate capital and adequate technical knowledge.

A. Supposing it was so, there are other provinces where there is no scarcity. Go to Madras, go to the Punjab and you do not find the same scarcity as you have here in Bombay. My Committee have not heard of any scarcity of labour. As far as all India conditions are concerned, it cannot be said that there is scarcity of labour.

21843. *Mr. Rhodes.*—In Bengal there is a shortage of labour.

A. At certain periods it is quite possible that it is short, but it cannot be contended that in India the difficulty of securing labour is such that industrial development is difficult. That is what I am trying to make out.

21844. *Q.* Should I be correct in concluding that the fall in the production of coal is owing to the scarcity of labour?

A. So it has been contended and so we hear. But my Committee has not had any details to meet it and they are not in a position either to affirm it or contradict it.

(Mr. Muzumdar): May I say the production has certainly fallen owing to a certain extent to the use of labour saving appliances which are coming into vogue in other parts of the country.

21845. *Sir Montague Webb.*—Does that imply shortage of labour?

A. (Mr. Muzumdar): No; it means saving of labour. It does not imply shortage.

Mr. Purushottamdas Thakurdas.—It may be in certain periods of the year, it may be due to special circumstances. I am afraid that your esteemed colleague, Mr. Rhodes, may be able to give details.

21846. *Mr. Rhodes.*—I think there is much difficulty in getting labour.

A. All that I can say is that this is the first time that I hear that in India labour is short and that any industrial development in India is out of the question. I should be surprised to hear any such statement.

21847. *Q.* I do not make any statement. I merely suggest the progress of industrial development is based on labour and experience and capital that can be supplied.

A. As far as labour is concerned I think my committee certainly think that all-India conditions do not want labour.

(Mr. Muzumdar) : In addition we have already provided that steps should be taken by the Government of India directly to promote technical education, industrial education and general education and other things which we presume will provide the necessary amount of skilled labour for our industries.

21848. *Q.* In your concluding note you refer to the policy of this country as dictated by vested interests in the United Kingdom to the discredit of the British rule in India. I think that this is an overdrawn picture. I think, the policy, if you will allow me to say so, has been dictated by perfectly *bonâ fide* and genuine belief that the interest of the consumer should be first considered. I am aware of the representations made by Lancashire in connection with the excise duty. But the whole of England is not Lancashire. I think that the policy was dictated in the (*bonâfide*) belief that it was best in the interests of the consumer and that the interests of the consumer should be considered first.

A. Now with regard to your contention Sir, my Committee do not want to doubt it. It should, however, like to draw your attention to what was said by Mr. Laing in 1861 when the import duty on piece goods was imposed. He said, 'Why I should not at once deal with yarn where the amount is small, the failure of the high duty palpable and the case urgent, because parties are actually building mills and importing machinery on the strength of the high duty.' I think that quotation leaves no doubt regarding the motive.

21849. *Q.* Is this in connection with the excise duty ?

A. The reduction of import duty on piecegoods from Manchester. If that is what is on record, I do believe, Sir, that you would give us credit for this that we have not overdrawn the picture. That is all that I contend, not only in the name of the Committee but in the name of the Indian Commercial community. I am quite prepared to say that there may have been *bonâ fides* on the part of some, but what has been the result ?

21850. *Q.* The result according to your Association has been the ruin of India's industries ?

A. The ruin is that much more could have been achieved than what has been achieved to-day.

(Mr. Madon): May I point out one other feature in connection with the imposition of import duty. When the import duties were levied for the purpose of making up the deficit, they were ruled out from Home by the Secretary of State, because Manchester would not have it. It is a remarkable fact that there have been several occasions on which not only has the Viceroy's Council protested against the action of the Secretary of State, but even the Secretary of State's own Council has protested and there have been occasions when it was disallowed merely by the casting vote. The position is this, it is not a question of *bonâ fides* of the gentlemen that came to rule over us, the Viceroy or his Councillors. It is the question of a certain section of the English industrialists forcing their will on the Secretary of State, simply by the power of their vote and trying to crush our growing industries. There was a time when in 1894, when we had this exchange troubles, the Viceroy and his whole Council were unanimously in favour of the reimposition of the duty to recover the deficits, an order came from Home, saying 'You may have import duties if you like, but not on cotton goods.' The whole Council opposed it. In spite of all this, to tell us that it was all done *bonâ fides* for the sake of free trade and in the honest belief that free trade was good for India I say it was not so. It was a case of the strong man holding the weak.

21851. *Q.* I have said that in my belief the policy was inaugurated and was maintained in the belief that the interests of the consumer should be paramount.

President : You can hold your own opinion.

A. Our records do not support that.

21852. *Q.* I hardly think I can call those protests to which Mr. Madan has drawn our attention by the Viceroy and the Members of the India Council as discreditable to British rule.

A. Mr. Madan : Not the Government protests. I say that the gentlemen who came to rule over us saw eye to eye with us. But they were ruled out by Manchester.

21853. *Q.* (Mr. Purshottamdas Thakurdas) : It is the policy that is discreditable, neither the protests nor the persons.

Mr. Ndrottam Morarjee—

21854. Do you know that England has levied a duty of 33⅓ per cent. on foreign motor cars ?

A. It is quite possible, I am not aware of it.

21855. *Q.* Why did they do so, if they believed in free trade ? Is it for revenue purposes or for protecting their industry.

Sir Montague Webb—

It was owing to the war.

Mr. Narottam Morarjee—

The war is over.

21856. *Q.* In comparison with Japan has India made sufficient industrial progress ?

A. Very far from it.

21857. *Q.* Has not Japan made all this progress under protection ?

A. They have it even to-day.

21858. *Q.* Will not a heavy import duty on machinery harm the growth of industries ?

A. Certainly.

(*Mr. Muzumdar*) : May I qualify the answer I gave to Mr. Coyajee. We are not in favour of levying a protective duty on machinery. We think there should be a minimum duty on all foreign articles so that machinery would pay the minimum duty. Iron and steel, of course would have larger protective duty, and machinery would come in at a lower rate.

21859. *Q.* In answer to Question 3 you say 'we do not accept the principle of imposing a tariff for revenue purposes only.'

A. Is not that covered by our reply to Question 30. There should be no export duty levied for protective purposes on any raw material. But if it is absolutely necessary to levy such duty for revenue purposes, they should be levied on such articles only in which the country has a practical monopoly.

21860. *Q.* With regard to Question No. 23 you say that the only two necessaries of life are food and water. Do you consider medicine as a necessary of life ?

A. At that rate everything is a necessity.

21861. *Q.* Would you protect the manufacture of medicine in this country ?

A. If it is an industry, to that extent, yes.

21862. *Q.* With regard to sugar industry, I have got a statement, it is not official : 'India ought to be self-supporting in the matter of sugar ; but this can only be effected by weaning the ryots from their wasteful methods of converting the cane juice into jaggery. The duties on sugar might well be 50 per cent. instead of 15 per cent. and there should be a heavy duty on molasses. This would help to bring home the advantages of a more perfect method of extraction combined with suitable purification or refinement. The manufacture of jaggery or gur entails a total loss to India of at least thirty crores and possibly more.' What do you think of this ?

A. I think it is a question more for persons engaged in the sugar industry to confirm or to suggest any modification. That the sugar industry presents very good prospects in India, I should have thought is more or less beyond doubt.

21863. *Q.* What is the opinion of your Chamber about the effect of railway freights on the industrial development of this country ?

A. I think I said in reply to Mr. Seshagiri Aiyar that the Chamber and the Indian commercial community generally have an impression that the rates are such that they will not give encouragement to local industries and some contend that they are such obstacles as to discourage local industries. This is a matter in which one has to examine thoroughly. The Committee of the Chamber have not gone into the details so fully. In the Report of the Industrial Commission there are several instances given which have not been contradicted as far as I know where the railway rates are a danger to local industries. That is all I can say.

21864. *Q.* With reference to answer to Question No. 15 you say that Consular Agents and Trade Commissioners would further help in this direction. Do you mean Indian Consuls ?

A. The Chamber would ask for Indian Attachés at British Consulates and if they are available, so much the better. But in their absence the British Consuls generally do give information for commercial purposes.

Sir Edgar Holberton—

21865. Q. I am afraid you must be getting bored with our questions. There are only a few more points. As far as possible I want to keep out of politics. I should like Mr. Muzumdar to amplify the statement which he has just

made that the present commercial position of England was built up on a protective basis.

A. I have just got an extract from the Encyclopædia Britannica, which is the easiest book of reference, from an article by a well known authority on the question of tariffs. "Between the close of the Napoleonic wars of 1815 and the year 1860, the tariff system of Great Britain was changed from elaborate protection to practically complete free trade. An attempt had indeed been made in 1786 to modify the rigidly protective legislation of the 18th Century". It is matter of history. I can tell you many pieces of legislation by tracing the economic history of England from the earliest times from which protection was adopted, under which England grew and established her industries.

21866. *Q.* What industries?

A. Cotton industry, shipbuilding industry, and every form of industry. The promotion of English shipping industry indirectly hampered considerably the shipbuilding industry of India which broke down. Then England levied a duty of 90 per cent. on Indian calicoes."

21867. *Q.* As regards the cotton industry, the action taken by England was not against India only?

A. Against all countries.

21868. *Q.* The point is that you understand these matters better than I do. The basis of their protective policy was the protection of agriculture, was it not?

A. They had to protect agriculture in those old days. They started, after the industrial revolution, to protect the industries.

21869. *Q.* That is what I mean. They considered at that time that it was essential for the national safety for them to try and feed themselves. In their efforts to try and feed themselves, they produced a great many very indefensible pieces of legislation (corn laws) which led them into further mistakes of protecting cotton. My point is—I don't know whether you agree with me — that it was not really a policy of industrial protection but a policy of agricultural protection which eventually led them out of their track into a certain amount of novel protection which were both abandoned as bad eventually.

A. I am sorry I cannot agree with you there. The case of England and the case of India are very different, as far as agriculture is concerned. England is after all a small island. Agricultural resources are limited and England had to use all means in its power to protect its agriculture and labour. They wanted to bring their foodstuffs from abroad and so encouraged shipping by bounties, subsidies, navigation laws and other things.

21870. *Q.* I am not going to argue. Was it really industrial protection or was it agricultural protection?

A. Both merge into the other. The agricultural protection naturally led to industrial protection.

21871. *Q.* The basis was agricultural protection.

A. In the old days when they had no industries to protect.

21872. *Q.* Then they abolished all protection and went to free trade.

A. They still retained a very elaborate system of protection to build up their industries.

21873. *Q.* After they had repealed the corn law?

A. Right till the end of the Napoleonic wars.

21874. *Q.* After 1814, the rest of the protection went?

A. When it was not necessary. (Mr. Madan): Again last year when the necessity came, they inserted. When we find it necessary, we must be allowed to do so. We want for India the same right of protection as England had.

21875. *Q.* At the present moment I take it that India has fiscal autonomy.

A. (Mr. Madan): That has to be seen how much power the Legislative Assembly has to protect the industries of this country.

21876. *Q.* Have you any slightest doubt that the Indian Legislative Assembly can do what they like? Have you any doubt as an honest man?

A. My point is that I don't want to assume from the wording of the Act that such and such powers are there until we had exercised them. I want to see the powers exercised and that they are not opposed directly or indirectly by the home Government on any pretext.

21877. *Q.* You are speaking of the non-votable items in the Act.

A. (Mr. Madan): That shows our limitations.

21878. *Q.* I don't think that limits your fiscal freedom.

A. (Mr. Madan) I should be very glad if I am wrong.

21879. *Q.* If you will grant me that you have under the Government of India Act fiscal freedom, then the next point is that you people come forward with a reasonable policy of protection and tell us that you look upon the introduction of the policy of protection as likely very materially to benefit your country, which I may tell you great many people have told us so.

A. Yes.

21880. *Q.* There are several factors in this protection programme which I should like to go through if I may. Would you be in any way in a hurry to extend the industries?

A. Why not?

21881. *Q.* Now would you get them by public companies or Government aid?

A. As far as the question of starting industries is concerned, the conditions being created capital would be drawn to it.

21882. *Q.* Do you think that it would automatically come?

A. Has it not come in the case of other industries, wherever Government has given any impetus.

21883. *Q.* You don't think that it would come without protection.

A. Well, it would be very difficult. The progress also would be extremely slow.

21884. *Q.* The only difference between myself and yourself is as to the amount of protection necessary to be given. We both want an increase. I want it to be slow. You want it to be rather fast. My reason for wanting it to be slow is this that I don't personally think that your country is now in a position to finance or to get benefits from a really tremendous industry upheaval but I think that you have got the labour in the country for really something in the way of an industrial advance.

A. When are we to begin, if we do not commence in earnest even at this late hour of the day?

21885. *Q.* I think that it would be better to begin slowly.

A. With the increased taxation proposed in the present budget, things may go much slower than what we expected but it does not in any way affect the principle underlying the fiscal policy. The progress may be a bit slower. It is quite possible.

21886. *Q.* You want to have industries for the good of the people living in the country.

A. For the good of everybody.

21887. *Q.* You want to be very careful lest you adopt anything which will put more money into a few people's hands.

A. Our Committee would not like any such thing.

Q. 21888. You should have small protection.

A. We suggest a minimum fiscal protection.

21889. *Q.* So that everybody may benefit.

A. Yes. If there is going to be any sacrifice, the sacrifice by the poorest class should be as small as possible. That is the aim and object of the Committee.

21890. *Q.* Everybody will agree with you.

A. I am very pleased to hear that.

21891. *Q.* There is some danger that some people may want to go fast, too fast.

A. They do so at their own expense. What have the people got to do with it?

21892. *Q.* If you do that under free trade, people would say that it is your own fault. It would not matter much. If you do that under protection, somebody, I mean the consumer, has to pay. Therefore you want to be sure that the position of the consumer is not made worse.

A. Can the Government of India devise more than other countries?

21893. *Q.* I don't think that countries which have adopted protection have achieved the comfort and the happiness of the labouring class.

A. As a whole the country grows richer and the people more prosperous. Can you say that Japan is less prosperous to-day than what she was in 1818?

21894. *Q.* She is much less happy.

A. I should be surprised if that could be proved. The average income per head of population in Japan is considerably more now than what it was previously.

21895. *Q.* If you are going to base any argument on that, you must also take the other side. It is no use getting Rs. 1,000 when it costs Rs. 1,200 to live. It is much better to get Rs. 600 if you can live on that amount.

A. To have only loin cloth and to live merely on rice husk, is that the ideal?

21896. *Q.* Not the ideal?

A. Well, you have got to improve your standard of living. The British rule is taking us on to that.

21897. *Q.* You really and truly think that there will be no particular labour difficulties.

A. Not as far as all-India conditions are concerned.

21898. *Q.* With regard to Bombay you may have difficulties.

A. Temporarily perhaps.

21899. *Q.* There is only one more question. Can you tell me the economic advantage, amplifying a little, of insisting that foreign firms should have 50 per cent. Indian capital.

A. The economic advantage of it is this. My Committee look upon it from this point of view. Behind the tariff walls industries would be more secure than otherwise. Moreover there are certain advantages for industries owing to the high tariffs. High tariffs mean so much sacrifice by the people for the time being. The bulk of the people who would make the sacrifice would be Indians. That being so, why should they not benefit from the investment of capital? That is the very first point, and a very simple one too, I submit.

21900. *Q.* Well, that is the only point.

A. That is a most important point. I don't want to ask you any questions. I have been asked so many questions and I have told every member what the Committee had in view. But can you tell me what is the objection?

21901. *Q.* Your opinion is that as Indians pay for the protection, they should be benefited. The benefits would be that they should have a share in every company that is put up.

A. As far as foreign companies are concerned.

21902. *Q.* Supposing an Indian is desirous of extending his business and wants to open a branch in England. Would you recommend reciprocity in that case?

A. Well, as far as my Committee is concerned, I may say that it has not considered that point, as it is not one which is likely to happen in the near future.

21903. *Q.* When you legislate you don't confine yourself to the present.

A. What we have recommended is based upon our outlook, say, for 10 or 15 years and not for half a century. (Mr. Madan): When such Indian companies go to England and establish themselves there, it is certainly open to the British Government to do exactly the same as we do here. We don't object to that. What we say is let us manage our affairs in our own way.

(The witnesses withdrew).

Copy of a letter, dated the 3rd April 1922, from the Indian Merchants' Chamber and Bureau, Bombay, to the Secretary, Indian Fiscal Commission, Camp.

21904. During the course of our examination on the 1st March 1922, the President as also some of the other Members, observed that the expression by the Committee of our Chamber used in their Memorandum of Written Evidence to the effect that the tariff policy of this country, dictated by vested interests in the United Kingdom, stood to the discredit of British Rule in India, was a very strong one to use. In answer to the President, Mr. Mazumdar, and in answer to Sir Montagu Webb, Mr. Madan, answered the question to the extent that it could be answered under examination. But as the Committee consider and maintain that the expression was fully justified, we, on behalf of the Committee, venture to submit for the records of the Commission a fuller statement than we were then able to present, justifying the expression that had been used, and adducing in support of it a brief resume of the unfortunate history of the Indian cotton duties.

21905. 2. Your Commission are doubtless aware that in 1860 a duty of 7½ per cent., was levied on partly manufactured, and of 10 per cent. on wholly manufactured cotton goods, a general import duty being levied on all imports, at these rates, according as the articles were partly or wholly manufactured or were habitually consumed by the general mass of the community. In the following year, however, Mr. Samuel Laing, then Finance Minister in India, reduced the duty on cotton twist and yarn to 5 per cent. ostensibly on the ground that it was in accordance with the principles of free trade as were then accepted in England. But in doing so, he incidentally showed the real motive for the change when he said:—"The case is urgent, because parties are actually building mills, and importing machinery on the strength of the high duty." And in 1862 the duty on piecegoods and yarn was restored to 5 per cent., and 3½ per cent. This was the beginning of a policy under which the Government of India were made to identify themselves with the English cotton industry as against the Indian.

In 1874 the Manchester Chamber of Commerce approached the Secretary of State for India with a representation that the cotton duties should be abolished, on the ground that—

> "under the protection extended by the levying of duties on imports of the spinning and weaving of cotton yarn and goods in India a large number of new Mills are now being protected."

As a consequence, a Committee was appointed by the Government of India to inquire into the merits of the duties who, however, reported that there was no real competition between the English and the Indian industries. In spite of this finding, Lord Salisbury, then Secretary of State for India, declared that the duties should be removed and laid down that their abolition should have priority over every other form of fiscal relief to the Indian tax-payer. We might add that three Members of the Indian Council voted against the despatch which urged the abolition of these duties. Thereupon, the Secretary of State even went so far as to change the constitutional procedure and laid down that in particular the financial measures of the Government of India should thereafter first be approved by him, before being submitted to the Legislature. Among other reasons for dissenting from the policy pursued by the Secretary of State, the dissenting Members of the Indian Council urged two:—

> "(1) Because we think that, whenever the possession of a surplus enables it to reduce duties at all, the Government should carefully consider whether it is not desirable to operate upon other duties, *e.g.*, the salt duties, the sugar duties, or the export duties, in priority to the import duties; in our judgment each of these three items of revenue requires alteration far more urgently than do the duties on cotton goods."
>
> "(2) Because independently of pure financial questions we think it impolitic to disregard the fact that the repeal of duties on cotton goods in India, in preference to other injurious taxes, is viewed with great suspicion and dislike by a large portion of the educated natives of this country, and is likely to cause much irritation among them."

21906. 3. As a result, in the financial statement of 1877 Sir John Strachey, then Finance Member, sounded the death-knell not only of the cotton duties, but of all import duties in general, pointing out that cotton goods were—

> "the sole article of foreign production which the people of India largely consume."

He further remarked:—

> "I am not ashamed to say that while I hope that I feel as strongly as any man the duties which I owe to India, there is no higher duty in my estimation than that which I owe to my own country. I believe that our countrymen at home have a real and very serious grievance and that it is no imaginary injury against which they complain."

In this case, again, we might add, half of the Members of the Governor General's Council, *viz.*, Sir Arthur Hobhouse, Sir Henry Norman, and Sir E. C. Bayley, recorded a joint minute of dissent. They contended that the duties on salt and sugar and the export duties required alteration far more urgently than the cotton duties.

21907. 4. A number of resolutions had been passed from time to time by the House of Commons, all urging that the cotton duties in India should be removed, because they violated the principles of free trade adopted by Great Britain. And within two years the duties were finally removed, in spite of a deficit in the Indian Budget, in spite of the suspension of the Famine Fund, in spite of the fact that the measure involved a substantial loss of revenue and in spite of the opposition of the majority of the Council of the Governor General. Important Minutes of dissent were

recorded by the Hon'ble Mr. W. Stokes, the Hon'ble Mr. A. R. Thompson, the Hon'ble Sir Andrew Clarke and the Hon'ble Sir A. J. Arbuthnot. Nor was this all. When the matter came before the Council of the Secretary of State for India, they were evenly divided on the question, and it was only with the casting vote of the Secretary of State that approval was given to the removal of the duties. The Hon'ble Mr. Stokes put the case very clearly for the duties, and we would request the Commission to recall what he said on the occasion. He said:—

> "I dissent from the proposal to exempt from import duty cotton goods containing no yarn of a higher number than thirties:—*Firstly* because the financial condition of this country is so deplorably bad that we cannot afford to lose even twenty lakhs a year, which sum is said to be about the annual cost of the proposed exemption. We have spent our Famine Insurance Fund, or what was intended to be such. We are carrying on a costly war with Afghanistan. We may any day have to begin one with the King of Burma. Our estimates show a deficit. We have now to borrow five crores in India and we are begging for two millions sterling from England. Our income is almost stationary. Our opium revenue is precarious. And our difficulties arising from the depreciation of silver seem, for some years at all event likely to increase rather than diminish. We have exhausted all gainful sources of indirect taxation and for every tax we surrender we must, therefore, impose a direct tax. Knowing as I do, the horror (in my opinion the reasonable horror) of new direct taxation, which is felt by the natives of India, I cannot think it wise to do anything which must lead to its imposition. It is painfully clear that the time has not arrived for even a partial fulfilment of the undertaking that the import duty on cotton goods should be replaced as soon as the financial condition of India permitted.
>
> "*Fifthly*, because the free admission of cotton goods would probably destroy a promising and useful local industry and, in the absence of competition, the Manchester manufacturers would practically compel the people of India to buy cotton cloths adulterated, if possible, more shamefully than such goods are at present. The cost of clothing of the people would thus be increased rather than lessened, and the arguments founded on the injurious effect of an imaginary protection would lose the little force that they ever possessed.
>
> "*Sixthly*, because nothing will ever induce the people of India to believe that the proposed exemption, if made, has been made, as no doubt we shall say it has, solely in their interest. They will be convinced by their newspapers (which are read aloud in every bazar), that it has been made solely in the interest of Manchester and for the benefit of the conservative party, who are, it is alleged, anxious to obtain the Lancashire Vote at the coming elections. Of course the people of India will be wrong; they always must be wrong when they impute selfish motives to the ruling race. Nevertheless, the evil political result likely to follow from this popular conviction should not be ignored, and should, if possible, be avoided.
>
> "*Lastly*, I object to the way in which the proposed change in the law is to be effected. The Viceroy, as I understand, intends to over-rule the majority of his Council and to make the proposed exemption by Executive Order in the Revenue Department, under section 23 of the Sea-Customs Act. Such an order is, no doubt, authorised by the terms of that section. But the Indian Legislature, in conferring on the Executive power to make exemptions, never intended that it should be exercised so as to make suddenly a vast change in our law, affecting not only the importers and consumers of the particular class of goods dealt with, but the tax-payers of India in general a change that will not only seriously diminish our present revenue, but force the hand of the Legislative Council by compelling them to impose new direct taxation. The power to exempt goods from Customs duties was originally conferred by Act XVIII of 1870, and was merely intended to relieve the Executive from the useless and troublesome formality of coming from time to time to the Indian Legislature to make in the tariff petty alterations which that Legislature, if applied to, would have made at once. The change now proposed is of a very different character. I have reason to think that it would never be sanctioned by the Legislative Council unlesss, indeed, arguments were brought forward in its favour for more cogent than those that I have heard. The proposed exemption of cotton goods, if made by mere Executive Order will thus resemble what lawyers call a fraud on the power; and there is, unfortunately no court of equity to relieve the people of India against it."

21908. 5. In 1894 when the exchange situation was such that more revenues were needed by the Government of India, a general import duty of 5 per cent. was again proposed. Once again the Secretary of State insisted that cotton goods should be excluded. This exemption in favour of Manchester roused a storm of indignation throughout India and in the Legislature. Even the Governor General and his Council, be it said to their credit, were unanimously opposed to it. But they were powerless. The Finance Member of the day refused to admit the validity of the Home Government's objections, and went so far as to say that, if any industry in the world deserved protection, it was the cotton industry of India. When the matter came up before the India Council, six Members, Advisers of the Secretary of State, recorded Minutes of Dissent. They were Sir A. J. Arbuthnot, Mr. A. Alison, Mr. D. M. Stewart, Mr. H. Rawlinson, Mr. C. A. Turner and Mr. A. C. Lyall. And in this connection again we would request the Commission to recall what Sir A. J. Arbuthnot minutes on the occasion. He said:—

> "I desire to record my dissent from the decision of the Secretary of State excluding duties upon cotton goods from the import duties which the Government of India have been authorised to impose in the present very grave financial crisis. The decision to which I refer was passed in opposition to a unanimous vote of the Council of India, and to the views of the Governor General in Council. It is in my opinion open to very serious objection both upon financial and political grounds. It compels the Government of India, not only to suspend the Famine Insurance Fund, but to budget for a considerable deficit the amount of which, for we all know, in the present condition of silver question, may possibly assume much larger proportions; and it practically announces to the people of India, that, however great may be their needs, no measure for their relief will be sanctioned which may be likely to offend any powerful English interest. In 1894, as in 1879, the interests of India are to be sacrificed to what the people of India regard as Parliamentary considerations, and this is done at a time when India is in a condition of political unrest which demands exceptional watchfulness on the part of her rulers, and which certainly ought not to be stimulated by any action of theirs."

21909. 6. Thus the whole history of the imposition of the countervailing excise is, we submit again, one of the most unfortunate and sorry chapters in the administration of the affairs of this country, and the Commission are doubtless aware that it has caused in the Indian mind an acuteness of feeling, which to this day remains violated. We venture to submit once more that had this country been free to determine its own fiscal policy, its tariff history would have been very different. Time and again, the Manchester

Chamber of Commerce, and at its bidding the Secretary of State for India, have dictated the tariff policy of this country to suit their own interests. That unfortunate chapter is still not closed, for, the Indian mind has again been agitated over the steps that are at this very moment being taken by Manchester to urge an enhancement of the excise duty to 10 per cent., or the equalisation of the import and excise duties at 6 per cent., steps which this country resents as acts of open hostility to its industrial safety and progress.

7. In submitting to you this brief resume of the history of the cotton duties in this country, the Committee trust they have made it clear from facts on official records that the action taken by His Majesty's Government in this particular matter has done no credit to British Rule in India, and that therefore, the expression that was used in the Chamber's Memorandum of Written Evidence is none too strong, but only too well and painfully justified.

P. S.—The quotations in this representation are taken from the records of the India Office as reproduced in a brochure on "Our Fiscal Policy" by Mr. C. N. Vakil, M.A., M.Sc. (Econ.), London, F.S.S., a copy of which was handed over to you by us personally at the time of giving oral evidence.

Witness No. 135.

PURSHOTAMDAS THAKURDAS, Esq., C.I.E., M.B.E., M.L.C., Written Statement dated the 15th Febry. 1922.

21910. 1. For India in particular, I am in favour of a policy of protection.

21911. 2. A tariff is a most suitable form of taxation for India in view of her abundance of raw materials and labour and consequent potential manufacturing capacity. An increase in Customs is the most desirable form of taxation, as the limit for direct taxation has been reached.

If a protective policy is adopted the consequent increased revenue should be utilized in reducing direct taxation as much as possible.

21912. 4. No. The tariff should also take cognisance of the necessity of protecting Indian industries. Revenue should not be the only object of the tariff policy.

21913. 6. I am emphatically against any form of excise duty, both in theory and in practice, on an article manufactured in India. Indian industries are still, generally speking, in their infancy, and hence, any kind of excise duties on Indian manufactures would tend to check their growth.

21914. 8. I think not.

21915. 9. Yes. Indian Industries must be developed. They are still in their infancy. They cannot thrive in "free trade" competition against foreign industries with their organisation and equipment developed to their present stage by long experience and nursing. The development of Indian industries would result in the increase of wealth in India. By working up our raw materials for our own use, we shall be saving the profits of the manufacturer, labour charges abroad, double freight, and all incidental expenses like middle-men's profits. By manufacturing most of our requirements and exporting only the surplus of our raw materials, the balance of trade in our favour would be greater than at present. We may be exporting less of our raw products, but we shall be importing proportionately less of the more valuable manufactured products.

Further, the development of Indian industries would mean increased employment of skilled labour, more occupation for the educated classes, and decreased pressure on the land.

In this connection it may also be pointed out that even highly advanced countries like the United States of America, Japan and France are still protectionist countries, and even England has realised the necessity of fostering her industries (*vide* the Safeguarding of Industries Act, and the Dye Stuffs (Import Regulation) Act.

21916. 10. Given protection, technical aid, organization, and transport facilities, there are few articles, which India cannot hope to manufacture in course of time. Considering the supplies of coal and oil, water-power potentialities, mineral resources, agricultural produce, forest products, fisheries, etc., it is very probable that India will in time be able to manufacture most of her needs.

21917. 11. For the purpose of developing India industrially, I am in favour of the imposition of a protective duty on all imported manufactures, the amount of such duty depending on the nature, circumstances and requirements of each particular industry.

Industrially, India is in such a backward state that it is practically impossible for new industries to be started or for old industries to be extended unless a protective policy embracing all important manufactures is laid down and "strictly and *bonâ fide* adhered to" by the Government.

It was the effective all-round protection afforded by the war, which gave a certain amount of success to the struggling industries started before the war under free trade conditions—witness the iron and steel and the textile industries—and which consequently encouraged the launching of fresh industrial enterprises. Now that this war protection is removed Indian industries are already finding themselves in difficulties under the stress of outside competition. Unfortunately, this is but the beginning of the trouble. As foreign countries become more and more settled, their efforts to rehabilitate their financial strength will be redoubled, and every possible means will be used to capture the Indian market. Indian industrial concerns, hardly out of their infancy, cannot be expected to survive this life and death struggle unless they are sheltered by necessary tariff walls. This fierce outside competition will not give the slightest scope to new industries. People will realise that the starting of new industrial enterprises in India is foredoomed to failure owing to fierce competition from highly developed foreign countries, and new industries will not be started unless again there is an all-round protective tariff.

21918. 13. Once a protective tariff is imposed on all imported manufactures, it will not be necessary to select industries which must be started. The most feasible new industries will automatically be started by enterprising firms and one by one every important industry will come to be established in India.

The four essential requirements of industry are raw material, capital, labour, and technical skill. The chief handicap in the way of Indian industries is the absence of the last named.

The Government can further the cause of Indian industrial development a lot, by giving their orders for large quantities of manufactured goods which they annually buy from abroad, only to such firms as undertake to take up and train a specified reasonable number of Indian students. There is nothing new or unreasonable in this demand.

Any business firm which has a little far sight and some understanding of its own interests would do it. In this manner, Japanese apprentices were trained in England and America. To-day Chinese students are being trained by American manufacturers for the sake of large Chinese orders. Why should not Indians get similar facilities abroad especially in view of the fact that the Government of India are large buyers of all sorts of manufactured goods?

21919. 14. Considering the revolutionary changes taking place so quickly in industrial methods, owing to rapid advance of science, it is difficult to answer this question categorically. But the plentiful supply of most raw materials in India makes it probable that not many industries will be requiring continuous assistance by way of protection. Naturally protective assistance would be required so long as other countries are protectionist, and assist their industries by bounties, subsidies, etc.

21920. 15. Special protective measures should be taken against foreign goods favoured by artificial means. It should be the business of the organisation indicated under Question 29 to ascertain the exact facts and suggest

remedies. It may be necessary to penalise most of the imports from a country, which has managed to dump a large quantity of some manufactured article into India. The extra revenue thus obtained may be used to compensate the industry victimised by dumping.

21921. 16. Hand-industries including the cotton handloom industry have my sympathy especially as they are cottage industries. I have no objection to any encouragement being given to these on practical business lines.

21922. 17. Yes, there may be a danger of combination among protected manufacturers. The organisation suggested in my reply to Question 29 should watch such cases and advise necessary action. It is useful to remember here that in spite of trade combinations indicated in this question having appeared in other countries they have not been known to have given up their protectionist policy.

21923. 18. British and foreign firms will probably try to establish themselves here. They may do so.

I see no objection to non-Indian and Indian firms developing Indian industries in open competition. It may be stipulated that a certain proportion of the capital should be offered to Indians. Foreign or Colonial firms should be allowed to establish industrial concerns only if the foreign country or Colony to which they belong treats Indians on equal terms with its own people.

21924. 19. Yes, but the settlement of such conflicts should not present any serious difficulty to a really representative committee (suggested in answer to question 29).

21925. 20. Yes.

21926. 21. The rise in price is not likely to be permanent with the special advantages of India for raw material. Owing to the abundance of raw materials and labour in the country the industries may be expected, once they are fairly established under a protective tariff, to produce manufactured goods as cheaply as they can be imported from foreign countries.

21927. 22. Yes, up to a certain point, since the country must be developed industrially.

21928. 23. "Necessaries of life" are relative. The fundamental necessary of life is food. India does not import considerable quantities of any food materials except sugar; and sugar is an article which can bear an import duty in India for the sake of industrial development. Clothes, building materials, etc., come next in importance, as necessaries of life, and consequently can bear some rise in price due to a protective tariff.

21929. 24. The increased cost of living caused by a protective tariff would be borne by a more prosperous country (as explained in reply to question 9). The increased prosperity of the country would be reflected in the rise in wages or income of—

(*a*) the industrial wage-earner.

(*b*) Even the agricultural wage-earner would have his income increased as direct pressure upon the land would be relieved by a certain proportion of labour migrating to the factory from the farm. If it is found that in spite of this, the agricultural wage-earner is not able to meet the increased cost of living, special relief would be possible from the increased revenue obtainable, owing to the increased prosperity of the country.

(*c*) the middle classes.

21930. 25. As explained under question 9, the country would be more prosperous.

21931. 26. Yes.

21932. 27. Yes; so far as the special favourable tariff does not entail any economic loss to the country by decreased revenue, by nullifying protection, by raising the price to the Indian consumer, or by affecting the pockets of the cultivator.

21933. 28. I should refer this question to an expert body.

21934. 29. Yes. The case of every industry must be considered individually, to find out the amount of protection it needs. For this a permanent organization representing both the Indian cultivator and the Indian commercial and industrial interests should be set up.

21935. 30—31. I am strongly against export duties on raw materials in general. They should not be levied even for revenue purposes. With the exception of duties on raw materials which are India's monopoly, all export duties on raw materials hit the grower only. The Indian cultivator of to-day is too poor to bear any curtailment of his scanty income. Indian manufactures cannot absorb all the raw materials grown. The surplus has to be exported. An export duty is bound to affect the demand for this surplus of Indian agricultural raw product abroad. The result would be a decrease in the price obtainable for the total crops.

If it is admitted that the price of a crop is decided by the price available for the (surplus) quantity exported the grower would be hit to the extent of the duty not only on the quantity exported, but on his total crop. This would, therefore, be further increased protection to the local industry at the expense of the grower which is not desirable.

21936. 32. No, except when the raw material is a monopoly of India, and can be consumed entirely in local industries. In case of materials of which India holds a virtual monopoly, and for which there is a world wide demand, there would be no evil effect on the producers or the amount produced. Such materials are Jute, Shellac and castor seed, although attempts are made to cultivate the last abroad.

21937. 33. There should be no export duty on foodstuffs unless there is a famine or shortage of the same in India.

21938, 34. No; unless a very serious case can be made out by the industry. This should be left to the permanent organisation suggested in answer to question 29. It would be more to the interests of India to penalise other imports from the country under reference, than to make the grower suffer from an export duty. If however an export tax has to be levied as a last resort, it should be used only for the benefit of the cultivators concerned

IMPERIAL PREFERENCE.

I.—Against Imperial Preference.

21939. 35. I am against Imperial Preference for India. She cannot afford to risk any appreciable economic loss for the sake of an untried political weapon.

II.—Imports.

(a) Special low tariff to the United Kingdom inadvisable.

21940, 36. India has been and is an importer of manufactured goods. The bulk of these come from the British Empire. In 1909-10 to 1913-14, 70 per cent. of these came from the British Empire, and in 1920-21, 66 per cent. If a special low tariff is granted to manufactures coming from within the British Empire, the Indian industries, still in their infancy, would receive no practical protection. It is no use granting protection and then nullifying or reducing it under the plea of Imperial Preference. Again as the bulk of our imports are from within the Empire, a low tariff on these for the sake of Imperial Preference, would mean a serious loss of revenue to the State.

(b) Special heavy tariff against foreign countries inadvisable.

21941. 37. One can understand the imposition of an import duty for revenue purposes. One can also understand the further imposition of protective import duties for fostering infant industries. But the imposition of still higher duties on foreign imports for the sake of Imperial Preference, is the imposition of a tax on the consumer for which he has no return whatever present or prospective. British manufactures are admittedly generally higher in price than foreign ones. The attempt to keep the cheaper foreign article or commodity out of India, by means of a specially heavy duty on it, would merely result in its import into India under British disguise. Middle-men in England would not be lacking who would import the cheap foreign article into England, and thence smuggle it into India, paying a low import duty, and thus making an easy and substantial profit from the margin between the prices of the British and foreign article at the expense of the Indian consumer. Manufacturers in England (or for the matter of that in any part of the Empire favoured by a preferential tariff) might find it cheaper to import say, a dye or drug or chemical from Germany, change its trade-name and packing, and perhaps concentration, and then to ship it to India.

(c) Articles for which the United Kingdom cannot meet full Indian requirement.

21942. 38. In case of an article for which England cannot meet the full Indian demand, the artificially high price at which the foreign article would sell in India owing to there being a specially heavy duty against it, would rule the market. Both the Indian and the English manufacturer would sell their articles at the highest price obtainable, *viz.* the price at which the foreign manufacture could be imported into and profitably sold in India. The ultimate sufferer again would be the Indian consumer; and he would suffer for an idea or theory which has nothing to offer him in return.

III.—Exports.

Preference by export duties inadvisable.

21943. 39. Being opposed to export duties in general for India, I cannot accept export duties for the sake of showing preference to customers within the Empire. (see reply to question 30—31). Further, Great Britain takes only about 25 per cent. of the Indian Exports. Export duties would only divert the best of India's customers, who are outside the Empire to other markets; and since Great Britain does consume all the raw materials India has to export, this may mean loss of our export trade. This would be a serious economic loss to India, and a severe financial blow to the Indian grower.

21944. 40. Even if Great Britain were able to utilize all of India's surplus raw products, a preferential export duty for Great Britain would make India lose the opportunity of selling her surplus to the highest bidder, *viz.*, the country which pays the best price. To practically shut out the foreign customer by means of a heavy export duty against him would be to compel the Indian grower to sell his produce at a comparatively low price to the United Kingdom.

IV.—Imperial Preference unthinkable on political grounds so long as India is not an equal member of the Empire in reality.

21945. 41. Imperial Preference is often advocated on political grounds. The Fiscal Commission may have nothing to do with politics. But it may not be out of place to point out that India cannot give her assent to an economic-political principle, which has no advantages to offer her; she cannot accept this principle even in theory, much less in practice unless and until she is an equal partner in the Empire, with full Dominion status including full fiscal autonomy. Without this, it should be suicidal on the part of India, to accept a principle, the administration of which she has unfortunately to leave to British statesmen, who cannot help being dictated to by vested interests in the colonies and at Home.

V.—Colonies need not be considered.

21946. 42. The Colonies do not merit even a discussion on preference for them in India; treatment of Indians in the majority of them is not at all compatible with India's self-respect.

APPENDIX.

Protection.

21947. I must make it clear that I am in favour of a policy of protection for Indian Industries at this particular stage of their development, because they are in their infancy and cannot stand unaided against competing foreign industries with their mature organization and technique. But a protective tariff should not lull Indian manufacturers into a false sense of security, and tempt them to continue in their present crude and often wasteful methods, by removing the incentive to improvement due to outside competition. Protection would defeat its own end if it gives a sort of long lease to inefficient organization and processes in vogue at present. It is intended to give Indian Industries a fair start and a reasonable chance to build up their strength on a sound basis, and not to wax fat on easy profits made at the expense of the uncomplaining and voiceless consumer.

The organization suggested under question 29 should see to it that protected industries do their best to stand on their own legs by reducing their costs, by perfecting their processes, by developing their organization, by engaging in industrial research work, and by improving the quality of their outturn no less than the quantity. They should publish a six-monthly report reviewing the state of organization and efficiency of protected industries, and submit it to the various Chambers of Commerce and the Imperial and Provincial Governments. Acting on these the Legislature could take steps to regulate protection granted to industries which practically refuse to improve themselves.

In this connection it may be added that the Safeguarding of Industries Act recently enacted in England empowers the Board of Trade to impose duties on imported articles which are proved to be 'dumped,' only if the British Industry to be assisted is being carried on "with reasonable efficiency and economy." The Board of Trade refers the matter to a committee of five selected from a permanent panel of 33 persons of commercial and industrial standing.

Oral evidence, Bombay, dated the 2nd March 1922.

21948. *President.*—I presume that what you have stated in this written statement represents your personal opinion.

A. Yes.

21949. *Q.* You are interested in many industries?

A. I am in a few.

21950. *Q.* You are on the Boards of large industrial concerns.

A. Some.

21951. *Q.* In answer to Question No. 10 you say "Given protection, technical aid, organization, and transport facilities, there are few articles which India cannot hope to manufacture in course of time." How would you provide technical aid and organisation?

A. I think that the Holland Commission have reported on it very fully.

21952. *Q.* As regards transport facilities?

A. As I would like the water transport to be developed as fast as possible and the railway rates revised in the light of the necessities of the industries the railway rates should not be such as would handicap industries. As to whether in the present financial condition you could really give the industries any help in that direction is quite a different thing.

21953. *Q.* The idea is that the policy should be the subordination of the question of pure railway revenues to the industrial development of the country.

A. Yes, as far as possible.

21954. *Q.* Then in answer to Question No. 11 you say in the second para. "Industrially India is in such a backward state that it is practically impossible for new industries to be started or for old industries to be extended unless a protective policy embracing all important manufactures is laid down and strictly and *bonâ fide* adhered to by the Government." I should like you to tell us what you mean by the words "strictly and *bonâ fide* adhered to."

A. It should be carried out not only to the letter but in the spirit also.

21955. *The witness.*—Mr. President, I would like to put in a note, if I may, on the import duty on sulphur. This was brought to my notice by a company of which I was at one time a director.

The President.—It would be much better if you read it out.

The witness.—This is the note which I have prepared.

Import Duty on Sulphur.

21956. The questionaire of the Fiscal Commission does not deal specifically with the question of the import of raw materials into India. Without venturing on any general theory, I submit herewith the case of sulphur, which is brought to my notice.

Sulphur imported into India is liable to a duty of 11 per cent. This duty hits hard the manufacturers of Sulphuric Acid and consequently indirectly all users of Sulphuric Acid. It seems the immense importance of the manufacture of sulphuric acid in India is not realised. If there is any industry which can be rightly called a key industry, the sulphuric acid industry is one. A very large number of manufacturing industries require sulphuric acid at one stage or another. In times of war, sulphuric acid is absolutely essential for the manufacture of munitions and explosives. Sir Thomas Holland at a recent meeting of the East India Association drew particular attention to the importance of the heavy chemical industry to the Empire and to India. He said: "Until India could produce sulphuric acid at three pounds per ton and electric power equally cheap, the rest of her resources were so much loot for any power that could dodge the British Navy."

Agriculture may be styled the basic industry of India. For the manufacture of fertilisers, soluble phosphate, ammonium sulphate, etc., sulphuric acid is required in large quantities. Scientific agriculture cannot flourish without cheap sulphuric acid.

To handicap such an important industry by a duty on its raw material is undoubtedly against the best interests of the country.

Sulphuric acid being a corrosive heavy liquid is very difficult and costly to transport and must be manufactured at or near the centres of consumption. Hence it is always more to the interests of a country to import sulphur (which is much easier to transport) and to manufacture the acid than to import the acid itself. Hence the usual argument against the establishment of an industry for which the raw material is not available in the country does not apply to this case.

All sorts of metallic ores are free of import duty. Raw sulphur practically belongs to the same category, and should therefore be exempted from an import duty.

21957. *Sir Manakjee Dadabhoy.*—*Q.* I do not wish to trouble you about your lucid and illuminating evidence. If you have no objection, and if you are prepared to answer me, I would like to put to you one or two points in connection with the current budget.

The President.—I am afraid any question as regards the current budget, if it has no connection with our terms of reference must be ruled out.

21958. *Sir Manakjee Dadabhoy.*—*Q.* My questions are relevant to our terms of reference.

A. Sir Manakjee, I venture to correct an impression which I might have left in your mind when I was examined yesterday. You said "if you are prepared to answer." Yesterday I might have left an impression in your mind that I did not want to answer your questions. The fact was I did not want to give any answer on behalf of the Chamber where I was not sure that I would express their views. Now that I am speaking for myself, I am at your disposal, and I am willing to answer any questions that you may wish to put to me.

21959. *Q.* I am only asking you one or two questions on the current budget. What is your opinion about the 7½ per cent. excise duty?

A. As I stated to Mr. Rhodes yesterday, personally I think that the increase in the excise duty is strongly to be regretted. In the first place, whatever justification it may have on the score of revenue, any further increase in this one duty, which I am afraid has had bad connection from the start, will always be looked down upon. Personally I think it is a very wrong step. Although the import duty has been raised to 15 per cent., we have to pay 7½ more on the imports of stores and machinery.

21960. *Q.* Leave aside the machinery: that affects the new concerns.

A. Last year the import duty was 11 per cent. and the excise duty was 3½ per cent. That left us a clear margin of 7½ per cent. Now although there is a 7½ per cent. margin between the import duty and the excise duty, that margin has been narrowed by our having to pay 7½ per cent. more on our stores and spare parts. This step may help the sale of imported articles that are lying in the market here, but it does not inspire confidence in the people that the Government really want to give a stimulus to industries. That is the view I take.

21961. *Q.* What do you think of the 10 per cent. import duty on machinery? It used to be 2½ per cent. before. How will it affect the industrial growth of the country?

A. If I had worked out the cost of putting up a mill at 25 lakhs, it is now going to cost me 27½ lakhs.

21962. *Q.* It is a charge on capital?

A. It is a handicap to industries. It will make it more costly to start industries. You can explain away these measures by saying: "We want money and we must get it from some source or other." But these two measures are likely to retard the development of industries and to aggravate the depression that is on.

21963. *Mr. Jamnadas Dwarkadas.*—*Q.* There are one or two points I would like to have your opinion on. In your answer to Question No. 13 you say: "The Government can further the cause of Indian industrial development a lot, by giving their orders for large quantities of manufactured goods which they annually buy from abroad, only to such firms as undertake to take up and train a specified reasonable number of Indian students. There is nothing new or unreasonable in this demand". In your opinion, Mr. Purshotamdas, while for the last so many years we have been purchasing practically all our stores from Great Britain even at a sacrifice, we have reaped no advantage from them?

A. In the direction of getting any preparation for our industries?

21964. *Q.* Yes.

A. None that I am aware of. You may have got a few apprentices, but nothing has been done so far on a systematic and large scale: nothing that is warranted by the large orders that India gives.

21965. *Q.* Would you make it a condition with the firms with which you place orders that they should take a reasonable number of our men for training?

A. So far as I understand other countries make that condition, and it is only India that has not done so.

21966. *Q.* You know Sir Vithaldas moved a resolution in the Assembly about this matter?

A. I do not remember those proceedings. I was not in India then.

21967. *Q.* Sir Vithaldas moved a resolution and I think it was ultimately withdrawn on an undertaking given by the member in charge that steps will be taken to move in the matter.

A. Has Sir Vithaldas taken an undertaking from Government that they would make a statement every six months on what has been done? If he has not done so, the undertaking is of no use.

21968. *Q.* In view of the fact that we place large orders with English firms, we must at least have this advantage: that our men would be trained. That is your emphatic opinion?

A. With whomsoever we may place our orders, if the Government of India make up their mind definitely to make this condition they can easily make those conditions.

21969. *Q.* If those conditions are not accepted by English firms, do you think there are other firms,—I mean foreign firms—who would accept those conditions?

A. They are very anxious to get our orders, and they would accept those conditions.

21970. *Q.* With regard to the supplementary statement you have made, I understand that you think that many of our industries depend on raw sulphur?

A. Yes.

21971. *Q.* What is your actual suggestion? Do you want to place raw sulphur on the free list?

A. Yes. I fail to understand why it should not be exempted from the import duty.

21972. *Q.* Apart from its being a matter of fiscal policy I think it can easily be done by the legislature by putting it on the free list.

A. I do not know what the powers of the legislature are in that direction.

21973. *Q.* Your knowledge of the conditions of India is really unique. I would like to ask you about the prospects of the woollen industry in this country.

A. I presume the Commission has got first hand information from the woollen manufacturers. I was given to understand that Australian woollen tops, as they call it, are being similarly taxed. The distinction between

wool and sulphur is this: sulphur is an absolutely raw product, but wool is partly manufactured. I hesitated to put the case of wool before you because I felt that in trying to support both, I might possibly spoil the case for raw sulphur. In the case of raw wool, I think it is a question that the Commission can go into at leisure. But the question of raw sulphur is an absolutely strong one, and it is only a matter of bringing it to the notice of the Government of India. If the Commission do it, I think the relief will be available immediately.

21974. *Mr. R. A. Mant.*—*Q.* At the very end of your statement you refer to a permanent panel that has been constituted under the Safeguarding of Industries Act in England. Supposing this commission recommended a permanent organisation for investigating the claims of industries to protection, would you consider that something on the lines of that panel would be a suitable arrangement?

A. Well, I refer to that panel, but I am not aware who are eligible to that panel. But in India, in view of the present conditions and in view of the distinctly racial inclinations that some important bodies have shown recently,—I am afraid we have seen the worst of it in the *Times of India* in the address of the President of the Bengal Chamber of Commerce—in view of that, I am not in a position to commit myself in regard to the constitution of the panel. That is the last straw that has broken my back. That speech of Sir Robert Watson Smyth has changed my outlook and makes me shudder at what is coming on. As you have very kindly tolerated my reference to the budget, Mr. President, I hope you will tolerate my reference to this also. I am not prepared to say what panel would serve my purpose. If the attitude reflected in that speech is going to be continued the panel will have to be on some lines by which Indian interests will be safeguarded.

21975. *Q.* Leaving aside the speech what lines would you suggest?

A. I should say it should be of representatives of Indian industrial and commercial interests, some members of the general public to represent the consumers' interests, and some experts.

21976. *Q.* That is all I wanted to ask you. I do not want to follow up your reference to the speech of the President of the Bengal Chamber of Commerce.

A. I do not want you to refer to it.

21977. *Mr. Rhodes.*—*Q.* We have had what we may call a frank discussion, and I am generally known to be pretty candid myself. You have referred to the speech of the late President of the Bengal Chamber of Commerce.

A. Just casually, Sir, I did.

21978. *Q.* As a matter of fact I am the President now.

A. I know, Sir.

21979. *Q.* Now, I just want to mention the question of British firms already established in India, not the introduction of fresh firms. I want to refer to the Englishmen and Scotchmen who spend the whole of their working life in India, as I have done. When they leave India they go back home as most Indians do, to their own country to spend the last few days of their lives but they perforce have to leave their capital behind them to their own good and to the good of the country here. I want to suggest to you that these firms and the Indian firms have really a common interest and a common policy, and it is possible to have the closest possible co-operation between us. There is not the slightest necessity for these racial animosities. But when you rub two metals together, both get hot. As President of one important Chamber speaking to the President of another equally important Chamber I suggest that this is not really necessary. There is plenty of room to work together not only side by side merely but in close co-operation.

A. May I tell you, Sir, that I held the same opinion till this morning, until I read that speech of Sir Robert Watson Smyth. If you say that that speech has not your sympathy I agree with every word that you say. My firm has existed for 55 years and I myself have worked for 22 years: we have worked hand in hand with Englishmen. The Bengal Chamber of Commerce is the European commercial body of Calcutta, and if the Chairman of that body can burst out into that outburst which we have read this morning, I suggest, Sir, there must be something very wrong. I cannot reconcile myself to the way in which you start things really. I am talking absolutely frankly. I hope that that does not represent your opinion.

21980. *Q.* I do not want to get into a discussion of this matter.

A. If that does not represent the opinion of the average Englishman in India, I agree with what you have said, Sir.

28981. *The President.*—Gentlemen, I am afraid we have drifted into unnecessary topics.

Mr. Rhodes.—I just mentioned the subject, Sir,—not to raise any discussion,—but to clear away any misunderstanding.

Mr. Jamnadas Dwarkadas.—I think it is a relief that the present President of the Bengal Chamber of Commerce does not express that view.

Mr. Rhodes.—I want to make it clear, Sir, that I am not expressing any views on Sir Robert Watson Symth's speech.

21982. *Q.* As regards the question of foreign firms and training for Indians, I think there is perhaps a little misunderstanding on this point. I was in communication with a certain important firm who are desirous of coming out here, and I asked whether they would be prepared, if they did so, to associate Indian directors with me in the Board and they said they would be delighted. I also asked them whether they would be prepared to train up Indians in this country and they said "Yes, but we are also prepared, in the last two or three years of their apprenticeship, to take them home and train them in our workshop there, because we must have a low cost of production in India, and that we should get it by training Indian Labour." Has that point of view your support?

A. Absolutely everybody would give their support if they trained our people.

21983. *Q.* It is purely from economic reasons that the whole thing was put before me.

A. The way in which it has been put before you is the way in which I have put it before you.

21984. *Mr. Seshagiri Ayyar.*—*Q.* With reference to the question that Mr. Jamnadas asked you, is there any difficulty in Indian students, who want to get themselves apprenticed, finding traders who will apprentice them?

A. Here or in England?

21985. *Q.* In England.

A. I was in England last year, and I am afraid my experience last year was that they would not take Indian apprentices.

21986. *Sir Montague Webb.*—The Europeans were finding difficulty in finding jobs last year.

A. I do not know about Europeans, but as regards Indians I was told by the High Commissioner that they would not take Indian apprentices. In the case of margarine, the High Commissioner or the India Office had to send an Indian to France to get trained.

Mr. Coyajee.—I am Secretary of the Students' Advisory Committee. I had this impression, but I was told by a European friend that I was wrong. The fact was that there was unemployment generally. If others were entertained the Trade Union men would down tools.

21987. *Mr. Seshagiri Ayyar.*—*Q.* You think we should exercise our powers of bargaining and insist upon Indians being trained?

A. We must have that condition as a *sine qua non* of any contract. They won't let the orders go past them.

91988. *Sir Montague Webb.*—Is this, Mr. President, a fiscal policy?

The President.—Surely it is, Sir Montague. The point is obvious. If any member in the Commission is inclined to favour a policy of protection with a view to the development of industries, protection would include not only a protective tariff, but also other forms of state assistance in the way of providing expert knowledge, etc.

21989. *Mr. Seshagiri Ayyar.*—*Q.* There is only one more question, Mr. Purushotamdas. I do not know whether you have got the financial statement of the Finance Member. He says: "The estimates which I have just given already take account of a substantial increase in goods rates in substitution of the existing surtax." What effect would that have on the trade of the country?

A. Last year they put a surtax, and then the idea was that the surtax should be merged in the regular tariff and become a substantive rate. They were trying to do it last October, but they were not able. I do not think there is going to be any further increase in the goods rates. I do not think there is any room for putting them higher. The increase contemplated, is, I think, in the passenger rates.

21990. *Sir Montague Webb.*—*Q.* On page 3 of your memorandum you say the four essential requirements of industry are raw materials, capital, labour and technical skill. Have you not left out the most important item the demand or market?

A. I thought that was taken for granted. There is nothing to be done to get the market. The market is at our door, whereas the raw material, labour, capital and technical skill we have to get.

21991. *Mr. Coyajee.*—*Q.* It has been put before us that industry should ask for special rates.

A. Railway rates?

21992. *Q.* Yes, for carrying raw materials from the supplier to the factory and from the factory to the market. The idea is that we should raise the cost of import and export. Do you think from the side of railway finance this scheme is sound?

A. Do I understand that the idea is that the rates from ports to ports should be raised?

21993. *Q.* Yes, and the rates from one up-country centre to another should be kept fairly low. That is the suggestion that I want to discuss with you and to ask you about its influence on the railway finance. The railway finance has been the backbone of our finance; and for some time there have been deficits.

A. You find that the main traffic is from port to port. The development of traffic between up-country centres can only come with the development of new industries. Therefore if the method just now mentioned is carried out —I think it is quite possible—it would not hit the railway finance. It would not hit if the industries are only fairly developed.

21994. *Q.* It would take ten or fifteen years at least.

A. Yes.

21995. *Q.* Meantime you would be risking their old established business connections.

A. A business man would have no sympathy with that sort of business connection.

21996. *Q.* I am only looking at it from the £. *s. d.* point of view, as regards railways, that is from the financial point of view.

A. It won't be bad.

21997. *Q.* Would the raising of rates bring more revenue? Would it not reduce exports and imports?

A. It would give further encouragement to new industries.

21998. *Q.* True, but the new industries will take 10 or 15 years at least to develop. Meantime what happens to your railway finance? There is a deficit now.

A. At the same time is it right to continue this, what may be called, unnatural way of levying rates?

21999. *Q.* Is it not a complaint in every country that the importer is favoured by railways? The railways naturally favour the importers because they bring goods in larger quantities and over long distances. If you go to England the people there will repeat the same complaint.

A. England is a free trader, because it suits her to be. But in Germany you do not find this.

22000. *Q.* No?

A. Germany is strongly a protectionist country; Germany does not give unduly preferential rates for imports except for raw materials which she requires for manufacture. It all depends upon the peculiar circumstances of each country. What is good for England need not be good for India.

22001. *Q.* Suppose such a reform of railway freights as is suggested is contemplated by us, would it be proper to begin it at once when the finances of the country are in a bad condition? Would you not wait for some favourable period when we can bear the diminution of railway finances?

A. The port to port rates are now low and the up-country rates high. You have only got to take away something of your up-country rates and put it on the port to port rates. Then the financial conditions would be in favour of the treasury, and it would not be against it.

22002. *Q.* For ten or fifteen years, that is as long as the industries take time to grow they would not be able to supply very substantially?

A. The up-country traffic would be smaller. You would only be reducing the rate on them and you would be putting it on the traffic which will continue to be large. Besides, by putting protective duties you are not going to shut out imports, because until your industries are able to supply all the demand, some imports will have to come in.

22003. *Sir Edgar Holberton.*—*Q.* With reference to para. 13 of your statement don't you think that business enterprise is one of the essential requirements?

A. Without business enterprise of course a man won't think of any industry.

22004. *Q.* I do not think that India can entirely escape the accusation of being rather wanting in business enterprise?

A. My own opinion, Sir, about Indian business enterprise is that in every province in India you have people whose business enterprise will stand very favourable comparison with the business enterprise in any part of the world. But the question is want of facilities. Take the Marwari of Marwar, he will stand comparison in business enterprise with anybody else. Take your chetties of the south. It is all a question of facility and what opportunities you have got. Given the facilities, I personally think that the various parts of India will give you people by thousands who would have business enterprise. Go to East Africa. The Indian was the pioneer there. The development there was due to his business enterprise. The Indian was looked upon as the man who made Africa. To-day others come and claim it. The question is when an Indian gets to a certain point there is a handicap put in his way.

22005. *Q.* In his own country?

A. I mean in the colonies. In his own country the policy followed has been such that he has not got much facilities for business enterprise. Without business enterprise the Bombay mills would not have come.

22006. *Q.* You think that these people by this tariff wall will change the whole situation, and that whereas it has been almost impossible for India to flourish in business with some exceptions previously, it will in future be easy for them to flourish?

A. It will certainly. The prospects are that within the next 15 or 20 years India will certainly be well on the way to industrial development.

22007. *Q.* Do you find it quite possible to build up successful business without protection?

A. It is not industrial business. It is commercial business.

22008. *Q.* Commercial business does not need protection?

A. I do not think the Chamber has asked for protection for commercial business.

22009. *Q.* What is commercial business?

A. Export and import business.

Witness No. 136.

Written statement of the Indian Economic Society, Bombay, represented by J. B. PETIT, Esq., C. S. DEOLE, Esq., B. A., and Prof. G. N. JOSHI, M.A.

Preliminary Remarks.

22010. 1. Industrial development is the chief economic need of India. Industrialization, leading to diversification of occupations, is the consummation devoutly to be wished for, in this country, to mitigate the evils of poverty and famines and to introduce stability in its economic life.

22011. 2. The best method of hastening industrial development is to adopt a Scientific Protective policy to foster infant industries and to promote new ones. India possesses all the natural requisites of industrial development. The impediments in the way of her rapid industrialization are economic and not physical; they are artificial and not natural. Owing to unfair foreign competition and lack of national industrial policy, Indian industries have not developed. To secure the economic advantages, enjoyed by highly industrial countries, owing to earlier start, *viz.*, raising of India's industrial technique and equipment, a protective policy is indispensable. Protection will enable her to conserve, consolidate, utilise and develop economic resources in harmony with her national interests.

22012. 3. A protective policy will promote and foster home industries and at the same time might bring in more revenue.

22013. 4. It must be stated clearly that a protective tariff by itself can never work miracles in building up manufactures, unless there are other factors of production already in existence. In this country other factors of production and the necessary conditions for the healthy growth of industries are already present either actually or potentially. Protection, in the opinion of our Committee, means the totality of all those measures which are necessary to stimulate the productive powers of a country, *viz.*, tariff duties, bounties, subsidies, transport concessions, etc., and our Committee want all these measures to be adopted. In short, the whole attitude of the Government must be permeated with a Protective spirit.

22014. 5. A protective tariff will generally lead to a temporary rise in prices, but ultimately there will be a reduction in them. It is good economy from a national point of view to pay higher prices for some time to secure economic independence and to build up industrial edifice.

22015. 6. In short, industrial development is the crying need of India. To achieve this object, secientific and judicious protection is indispensable. A protective policy will hasten the process of industrialization by promoting home industries and will probably raise more revenue. A temporary rise in prices will be more than compensated for, by a permanent reduction in future.

Replies to the Questions.

A.—General.

22016. 1. Considering the economic conditions and the stage of India's industrial development, a policy of scientific and judicious protection is, in the opinion of our committee, essential to build up manufactures.

22017. 2. A tariff provides a more suitable form of taxation in India at present than direct taxation. If fresh taxation is necessary, each case must be decided on its own merits.

22018. 3. The general tariff may be enhanced sufficiently to give protection to the indigenous industries and the duties on the articles of luxury may be increased to a greater extent.

22019. 4. No Revenue principles must be replaced by protective ones.

22020. 5. The existing tariff policy has had disastrous effect on the handicrafts and industries of India, in the past. If the policy is continued, there is no chance for the industrial development of the country.

22021. 6-7. If an import duty is levied to protect home industries, no excise duty should be imposed.

22022. 8. It depends upon circumstances.

A Protective Tariff.

22023. 9. The tariff should be framed primarily with the object of fostering Indian industries. A protective tariff will lead to rapid industrialization, resulting in diversity of occupations, which is the greatest economic desideratum, to mitigate the evils of poverty and famines in India Protective duties will hasten industrial development, secure the domestic markets for home industries, provide necessary conditions for the growth of those already established and will bring into existence new ones. By facilitating harmonious growth of all industries, agricultural and manufacturing, the economic life of the country will be stabilized.

22024. 10. Our Committee are sanguine regarding India being fully independent of other countries for her main requirements in manufactured goods.

22025. 11. On all such manufactures as stand a fair chance of being established in the country.

22026. 12-14. Protection should be accorded to industries on the following principles:—

(1) To those industries for which there are favourable conditions of healthy growth, *i.e.*, for which there is an abundant supply of raw materials and secure market.

(2) To those industries, including key industries, which are essential for national well-being and national defence.

22027. 15. It is necessary to grant special protection against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions, and this kind of protection can be afforded by imposing anti-dumping duty on the commodities so dumped. One of the methods of ascertaining exact facts will be to call upon the complaining industry to furnish evidence of such measures of unfair competition.

22028. 16. Our Committee believe that there is sufficient scope in this country for hand industries and in particular, for cotton handloom industry, as these industries are supplementary to agriculture. The peculiar economic conditions of India render their existence possible side by side with power industries. They should be maintained by all means possible, namely, by introducing technical improvements and co-operative principles in production and distribution.

22029. 17. Yes, it may. If the combination is continued to maintain the *quasi* monopoly price, even after the industry is firmly established, lowering of import duty or even its abolition. in extreme cases, will solve the difficulty.

22030. 18. Yes. It is certain that, if protective policy is adopted British and foreign industrial firms will endeavour to establish themselves in India in order to get the benefit of the protective tariff. In the interests of India, it must be enacted that no industrial firm can be started or registered in this country, unless ½ of its capital is continually Indian and at least half of its directors are Indians.

22031. 19. Yes, they may. And even if they arise, there will be no difficulty in adjusting them.

Effect of Protection on Prices and on the Consumer.

22032. 20. An effective import duty generally leads to a rise in prices. To what extent it will affect the price of a particular commodity, depends upon the percentage of duty, the elasticity or rigidity of demand, and the proportion of home to foreign supply. In certain cases, an import duty does not affect the consumer and is borne by the foreign producers.

22033. 21. A rise in prices, incidental to a protective duty, will not be permanent.

22034. 22. Yes.

22035. 23. No.

22036. 24. An increase in the cost of living, owing to tariff rates, will be soon covered by a rise in the wages of the industrial wage earner and more gradually in the cases of the agricultural wage earner and the middle classes.

Effect of Protection on Foreign Trade.

22037. 25. A policy of protection may, for a time, decrease the volume of India's foreign trade, but it will certainly lead to a corresponding, nay, to a greater increase in the volume of her internal trade. The effect on the general commercial position and prospects of the country will, undoubtedly, be salutary

Use of Tariff for Bargaining.

22038. 26-28. Yes; but considering the nature of her exports, India has nothing to gain at present by a tariff framed with the intention of bargaining.

Organisation for investigating the claims of industries.

22039. 29. For investigating the claims of various industries to protection, from time to time, and for the periodical readjustment of tariff rates, a permanent Tariff Commission, representing all economic interests, is necessary. Such a Commission must be strong enough to resist political pressure in considering the claims of protection.

Export Duties.

22040. 30. Export duties may be levied in the case of monopoly articles if they are absolutely indispensable for raising the necessary revenue. They may also be imposed, in extreme cases, for conserving natural resources or for bargaining with or retaliating against other countries.

22041. 31. Export duties ordinarily lead to a diminution in the volume of export trade. But they can be imposed without serious injury to trade under the following circumstances :—

(1) If the exporting country has an absolute or a relative monopoly of the article exported.
(2) If the exported commodity is in universal demand, and its proportion to the world supply is of sufficient significance.
(3) If no suitable substitute is available to the buying countries.

As some of India's exports satisfy one or more of these conditions, a moderate export duty may be imposed on them.

22042. 32. Yes. Ores and manures are instances in point. It may have an effect on the producers. The extent of the duty will depend upon the condition of the world market from time to time.

22043. 33. Yes. Not only would it be of advantage to India, but it is economically essential for her to impose export duty on foodstuffs with a view to conserving the food supply of the country. By the imposition of such a duty the agricultural interests may be adversely affected ; but in the long run, there is no reason to fear a substantial diminution in the quantity of foodstuffs produced. A portion of such duty should be set apart for agricultural improvements.

22044. 34. Yes. The cases in point are Raw and Tanned hides and Raw and Manufactured Jute.

B.—Imperial Preference.

22045. A scheme of Imperial preference for India is economically detrimental, politically inexpedient, and financially ruinous. India has nothing to gain and everything to lose in her import and export trade. Adoption of Free Trade, without any thought of her economic condition and the stage of her industrial development, reduced India to a condition of economic helplessness; but the adoption of Imperial Preference will mark the culmination of that process. The only redeeming feature of Free Trade, *viz.*, selling in the dearest and buying in the cheapest market will disappear, under Imperial Preference ; and by limiting both import and export markets, Indian producers, consumers, and also the Indian treasury will lose considerably. It will divert India's export trade into British hands. India will commit economic suicide by thus giving Great Britain more opportunities to exploit her natural resources and markets. Unless India wants to postpone her industrial developement—to remain a plantation ground to produce raw materials for foreigners and to provide a lucrative market to the foreign manufactures—it will not be advisable to adopt such a scheme. It is certain that under Imperial Preference India must give up all hopes of building up her manufactures.

In fine, our Committee are strongly opposed to a scheme of Imperial Preference on all grounds.

22046. 35-36. As the prime economic need of India is to build up her industries, protection against all countries is inevitable ; our Committee, therefore, have nothing to say in favour of Imperial Preference.

On pure economic grounds, India has nothing to gain and all to lose, under such a scheme. Our Committee maintain that Free Trade is bad for this country but Imperial Preference will be worse.

A scheme of Imperial Preference is a question more of politics than of economics. It is meant to strengthen the ties between the constituents of the Empire. So, as a matter of political expediency, it is better to strengthen natural ties based on justice and equality than to have recourse to artificial means.

The economic loss to this country will be too great to permit the adoption of such a scheme on any ground.

22047. 37-40. Our Committee anticipate material economic loss to India from a system of Imperial Preference.

In 1913-14 (pre-war normal year) 70 per cent. of India's total imports were from the British Empire (64 per cent. from Great Britain alone). Thus without a preferential scheme Great Britain has a lion's share in India's import trade. To allow her goods any preferential treatment is to give her a virtual monopoly of our import trade. 30 per cent. of the total imports now coming from foreign countries consist of those goods which are either not produced or not favourably produced within the Empire. So, by giving preference to British goods, 30 per cent. of our trade will be diverted into British hands. By thus limiting our import market, there will be a rise in the value of imports, Indian consumers will be penalised, and the Indian treasury will suffer in revenue. India's industrial development conflicts more with the material interests of Great Britain than with those of any other country. She, therefore, needs protection more against Great Britain than against any other country. India's import trade with the Dominions is not very great, and even if it were so, so long as India's political rights are denied by them, she should not be ready to enter into any such scheme.

In 1913-14 62 per cent. of India's total exports were to the foreign countries and only 38 per cent. to the British Empire (24 per cent. to Great Britain). Thus it is clear that India's best buyers are the Non-British countries. India must sell her produce in the dearest market. She cannot afford to lose her foreign customers. Under Preferential scheme she will make her produce dearer to other countries than to the British Empire. In course of time, India's export market will be monopolised by Great Britain who will buy off all her (India's) produce at preferential rates either for its (Great Britain's) own use or for selling it to the foreigners at India's cost. By thus limiting the export market, foreign competition will be eliminated in course of time, and Indian producers will suffer by having to accept the price offered by British merchants. Indian exports, being mainly raw materials, do not need any preferential treatment. So, in her export trade also she has nothing to gain and a good deal to lose.

If a scheme of Imperial Preference is adopted, our Committee fear that London will be an entrepot for Indian trade and it will result in indirect subsidies to British manufacturers, merchants, and shipowners at the cost of Indian consumers and producers.

Our Committee also apprehend a tariff warfare as a result of such a scheme.

22048. 41. A system of Imperial Preference may affect the total volume of India's exports and imports, but will certainly alter appreciably the proportion between them so as to affect adversely her balance of trade.

22049. 42. The diversion of trade, owing to Imperial Preference, will have a detrimental effect on India's general trade position.

Oral evidence of the Indian Economic Society, Bombay.

[Mr. J. B. Petit, Mr. C. S. Deole, and Prof. G. N. Joshi, representatives of the Indian Economic Society were called in and examined. The replies were generally given by Mr. Petit. Where they were given by Mr. Deole or Mr. Joshi special mention is made in the report.]

22050. *The President* :—*Q.* Gentlemen, you represent the Indian Economic Society ?

A. Yes.

22051. *Q.* Your members represent ?

A. Our members represent merchants, bankers, economists, professors and students of economics.

22052. *Q.* In paragraph 2 of your written statement you say : "The impediments in the way of her rapid industrialization are economic and not physical ; they are artificial and not natural." Will you please explain what you mean by "economic and not physical" and "artificial and not natural" ?

A. That means that nature has endowed us with all those facilities which can make us great industrially, but the artificial impediment, the not being a Government of our own, is responsible for the economic deterioration of this country.

22053. *Q.* Your view is that the Government of India has imposed artificial impediments in the way of the industrial growth of the country?

A. Yes.

22054. *Q.* Will you please name what those impediments are which the Government has imposed in the past?

A. Take for instance the railway rates for imported articles as compared to the articles that are produced in this country. Before the Railway Committee, as you are aware, instances have been placed to show that in some cases the rates have been so adjusted as to make it cheaper for an imported article to be transported to an inland place from the sea ports in India than it was to take articles produced in the country to the principal markets of India from the manufacturing places in India itself. (Mr. Joshi) India's industrial growth has been hindered not because she is physically unfit for industrial development. She is endowed with all the raw materials and all the requisites for industrial development, but her industrial development is impeded because she is lacking in the equipment, skill and technique which other countries have acquired through their early start. That is what is meant by they are "economic and not physical". We are not by nature unfit for industrial development: we can be self-maintaining and self-sufficient economically. That is not possible now because artificial impediments are placed in our way, in the sense we are not given opportunities to develop the skill, equipment and technique which others have acquired through early start. That is what is meant by they are "artificial and not natural". That is the view of our society.

22055. *Q.* Your President has cited instances to show that the policy pursued by the Government has placed artificial impediments in the way of the industrialization of the country.

(*No answer.*)

22056. *Q.* In your answer about Imperial Preference you say "A scheme of Imperial Preference for India is economically detrimental, politically inexpedient, and financially ruinous. India has nothing to gain and everything to lose in her import and export trade. Adoption of Free Trade without any thought of her economic condition and the stage of her industrial development, reduced India to a condition of economic helplessness: but the adoption of Imperial Preference will mark the culmination of that process". Will you please tell me what you mean by "the adoption of Imperial Preference will mark the culmination of that process"?

A. It has been remarked further on that Free Trade is bad for India and that on account of Free Trade industries have not been developed. But there have been certain advantages under Free Trade, that is buying in the cheapest market and selling in the dearest. If Imperial Preference is adopted then that advantage which we have under Free Trade will be lost. (Mr. Deole) What we mean is that under Free Trade India has already suffered, and if Imperial Preference is adopted, the result would be worse still.

22057. *Sir Edgar Holberton:—Q.* In your answer to question No. 9 you say "a protective tariff will lead to rapid industrialization," from which I take it that you mean that the institution of a policy of protection will at once cause an increase in industrialization. Could you explain to me how that will happen?

A. It will lead industrialists to go in for new industries, because of the protection which it is bound to give them against foreign competition and of the possibilities opened out for larger profits.

22058. *Q.* For larger profits? How will that happen as a result of your protective tariff?

A. They will have a market adjusted on the basis of the prices of foreign articles with the protective duty that will be imposed on them, and they will have the benefit of the difference of the higher prices and their own cost of production.

22059. *Q.* That means that the immediate cause will be the benefit of the rise in prices which will go into the pockets of the commercial persons that take up the industry?

A. But ultimately not so.

22060. *Q.* Now, do you think this policy would have the effect of creating new industries or will most of the capital go into old industries?

A. They will have the effect of creating new industries.

22061. *Q.* The mere fact of putting up a tariff wall will bring more money to new industries?

A. Yes.

22062. *Q.* Will you give some instances?

A. I have given the match industry for instance.

22063. *Q.* Do you really mean to say that the only reason why there is not more industrialization in India is the absence of a protective tariff?

A. It is the most formidable reason.

22064. *Q.* There are no other reasons?

A. There are other reasons, but they are not insurmountable.

22065. *Q.* You do not foresee any labour difficulties?

A. Not at all. In a country like India with its abundance of population, most of which is starving and is satisfied with one meal a day, I do not think that labour disputes as there are in European countries are likely to occur for a long time to come.

22066. *Q.* I was merely talking about sufficiency of labour. You are in business. You have not shortage of labour?

A. I have.

22067. *Q.* How do you account for that?

A. In Bombay the shortage of labour occurs owing to various reasons. One is insufficient housing accommodation; then the unwillingness of most people who are agriculturists to leave their homes and to go to distant places, and various other difficulties. If there is a properly organised scheme for bringing labourers from the rural areas to big centres of industries, I am perfectly certain that what difficulty now exists will be removed.

22068. *Q.* Am I to take it that you want an organisation to force them to labour?

A. Not to force them. Well, the majority of Indian people, as far as the labouring classes are concerned, do not show any overpowering desire for this industrial life. Many of them do not understand perhaps the conditions of industrial life, and some that do are so discouraged by the surroundings they have to live in and by other circumstances which surround their daily lives, that they exercise an undesirable effect on others when they go back to their homes.

22069. *Q.* How are you going to remedy that?

A. If the representatives of the Colonies can come here from a distance of thousands of miles and succeed in taking away our labour thousands of miles away under very irritating difficulties, there is no reason why our representatives, the representatives of properly organised associations or bodies, cannot do so for indigenous industries.

22070. *Q.* Are you not getting dangerously near the indentured labour system which somebody is objecting to. That was the sort of thing objected to in the case of the Colonies under the new Emigration Act. The sort of thing you are talking is definitely legal!

A. The taking away of labour under indenture is quite a different thing from the taking away of labour voluntarily.

22071. *Q.* I cannot understand your argument. At the present moment there is no indentured labour because we do not like it. You are going to introduce an industrialization process which will demand more labour. In order to safeguard your getting more labour you are going to get an organisation to induce the country people to believe that they are quite wrong in sticking to their country?

A. The point is this: there is no labour at the present moment in the country for all those who live there: they have only got to be impressed with the desirability of their engaging themselves in industries. If this happens, I am of opinion that labour scarcity will not be felt.

22072. *Q.* At present they have not that desire?

A. Yes.

22073. *Q.* Well Mr. Petit, are you interested in cotton mills? excuse my ignorance.

A. Yes.

22074. *Q.* We have heard rather universally that there is undue competition from the Japanese and one of the great factors which has brought that about is that in Japan they work two shifts, I have often enquired why the Indian mills would not work two shifts, and I have been told that the Indian labourers do not like it.

A. We can get labour, but there is no accommodation.

22075. *Q.* Which means the same thing. The fact is that you cannot adjust your mills to work two shifts?

A. By accommodation, I mean housing accommodation.

22076. *Q.* On account of the difficulty about housing your labour you are unable to work two shifts?

A. I venture to think that scarcity of labour is quite different from the difficulty of getting labour because

there is no housing accommodation. There are at present difficulties about quarters. The quarters for mill labourer are being erected.

22077. *Q.* You see your way to run two shifts?

A. I possibly would run, but if every body ran there would be a large rush of people from the country which will create a state of unsatisfactory condition in the city.

22078. *Q.* Where is your industrialization of India going to begin? Is it in Bombay?

A. Not necessarily in Bombay: it may be in districts.

22079. *Q.* You said that you were going to get an organisation to induce the country people to come to big industrial centres?

A. The Bombay mill workers come from Karwar, Ratnagiri and other districts. If you open an organisation, this labour from the country will have to be brought to Bombay.

22080. *Q.* Your industrialization will not take place in big cities?

A. In Bombay it may not take place because of the condition of Bombay.

22081. *Q.* Where will you get your labour?

A. In the same way that you get labour for the Colonies.

22082. *Q.* You cannot get them in Bombay?

A. Not in Bombay. So far as Bombay is concerned industrialization would not take place to a great extent.

22083. *Q.* Japan works two shifts. Can you run two shifts in Bombay?

A. Not in Bombay to-day.

22084. *Q.* I cannot see that there is any room in Bombay for further industrialization?

A. Why do you assume that this industrialization should take place in Bombay and not in other places.

22085. *Q.* Because this is the place of cotton mills. You cannot run two shifts in Bombay because you cannot get the labourers. You cannot complain about that?

A. There are 250 mills all over India and in Bombay we have only 80 mills.

22086. *Q.* There is one more point about the labour question. Is the condition of the labourer considerably better now than it was years ago?

A. It is better, but it could be better still.

22087. *Q.* Better in the way of more money?

A. Yes.

22088. *Q.* Have you found, as a great employer of labour, that the giving of more money to the Indian labourer does him good?

A. No. At present it would not. (Mr. Joshi) Giving more wages to the Indian labourer does him good.

22089. *Q.* But Mr. Petit said it won't?

A. (Mr. Joshi) Our Committee are of opinion that giving more wages to the labourer will undoubtedly lead to an improved standard of living.

22090. *Q.* Does it improve the standard of work?

A. (Mr. Joshi) It does as a matter of fact. And if there is something wrong in the system it is because they are not educated.

22091. *Q.* Mr. Petit, you and I are employers of labour. I personally have found that the margin of increase of pay which will give a better return in labour is a very small one and if you attempt to go beyond that your labourer stays out. Don't you find that in Bombay?

A. (Mr. Joshi) That may be the immediate result.

22092. *Q.* I do not want any 'may be.' Is that the result?

A. (Mr. Joshi) Our Committee cannot express any opinion on that definitely, but in the long run better wages will mean more efficiency.

22093. *Q.* That is mere guess work. It has not been the case with Indian labour?

A. (Mr. Joshi) You are confusing the issues. Indian labour is not educated. If people do not utilise their money it is because they are not educated. (Mr. Deole) Even if more wages are paid they are not better off.

22094. *Q.* Supposing the ordinary payment is X annas a day and you suddenly give them X *plus* 3 annas, they will stay away until they spend that three annas?

A. (Mr. Petit) I know it from my personal experience.

22095. *Q.* You and I are both practical employers, and we know it, Mr Petit.

(No answer.)

22096. *Mr. Norottam Mararji*:—*Q.* To pursue this point a little further, we all know that the Government of Bombay are not going to allow us to build factories in Bombay, and when that has happened, don't you think that we will not find the same difficulty as we are finding? When there is good housing accommodation you think labour will be induced to come?

A. Yes.

22097. *Q.* Now in your preliminary remarks at the end of paragraph 4, you say: "In short the whole attitude of Government should be permeated with a protective spirit." What you want is a change of heart by the Government in all industrial matters?

A. Yes.

22098. *Q.* Now, in reply to question No. 8 you say "It depends upon circumstances." Will you please illustrate your meaning by examples?

A. You are talking of import duties. There may be occasions on which you cannot pass them on to the consumer. Take for instance to-day's peculiar condition of Manchester goods in Bombay. The time may come when they will have to be sold off at the lowest price obtainable, even less than the imported price. In these circumstances, you cannot pass on the duties to the consumer.

22099. *Q.* Would you protect industries which require semimanufactured goods as their raw materials? Take the case of the iron and steel industry: they have to import sulphur?

A. Of course we would.

22100. *Q.* In answer to question No. 15 you say "One of the methods of ascertaining the exact facts will be to call upon the complaining industry to furnish evidence of such measures of unfair competition." Who will examine such evidence?

A. A standing committee would have to be created.

22101. *Q.* How will you recruit members for the standing committee?

It is a mere matter of detail. It will consist of representatives of industries and commerce and capable experts. (Mr. Joshi) That is answered in our reply to question No. 29.

22102. *Q.* Now, with regard to Imperial Preference, you say: "India will commit economic suicide by thus giving Great Britain more opportunities to exploit her natural resources and markets." Do you mean that there is exploitation even now?

A. Of course.

22103. *Q.* What is the opinion of your society on the part that railway freights may play in the industrial development of the country?

A. (Mr. Joshi) May be beneficial or harmful.

22104. *Q.* I mean the present policy.

A. (Mr. Joshi) It has been detrimental.

Sir Montague Webb:—*Q.* How many members your society has?

A. (Mr. Deole) 250.

22105. *Q.* Whom do they consist of, and whom do they represent?

A. (Mr. Deole) They consist of professors, students of economics, politicians and publicists.

22106. *Q.* Will you please explain how industrialization will mitigate the evils of famine in India?

A. (Mr. Joshi) Industrialization will mitigate famine in this way that it would bring diversity of occupations. At present India is mainly agricultural and hence agriculture being precarious, the people have not the stability to live. Famines are only owing to the fact that in India there are no industries for the people to find employment. By the growth of industries we believe that famines would be less recurring.

22107. *Q.* By famine you mean shortage of food and not failure of rains?

A. (Mr. Joshi) Famine connotes shortage of foodstuffs and shortage of money to buy foodstuffs.

22108. *Q.* When we speak of famine in India we generally refer to the failure of rains and shortage of food. That is the ordinary meaning.

A. (Mr. Joshi) One is the result of the other.

22109. *Q.* I want you to explain exactly how a policy of industrialization would put you in a better position?

A. (Mr. Deole) The thing is this. When there is shortage of food many people from the surrounding villages flock to Bombay and they take advantage of the industries there. If there were more industries many more people would be engaged in industries than at present. If they are engaged in industries they will not depend much on rain and they will be better off than at present.

22110. *Q.* I am assuming that famine is caused by failure of rains and shortage of food. I do not understand how having a large industrial population in Bombay would make the situation easier?

A. (Mr. Deole) What I mean is this; by industrialization the national dividend would increase and the people will get more money and lay by something to tide over the difficulties of famine.

22111. *Q.* You think that in such cases the people who have the money will be able to find money to buy food outside India?

A. (Mr. Deole) Not outside India.

22112. *Q.* What is going to happen if the rain fails?

A. (Mr. Joshi) In India there is no universal failure of rain.

22113. *Q.* But when the rain fails and there is shortage of food, I want you to explain how with a large industrial population the position would be mitigated.

A. (Mr. Joshi) At present there is unemployment. If there are industries in India those people from the famine districts may be transferred to those industries. At present in times of famine they have no occupation.

22114. *Q.* You have not explained how the supply of food is increased by the policy of industrialization. That is what I want.

A. (Mr. Joshi) The supply of food would be increased with intensive cultivation.

22115. *Q.* Then it is not industrialization. It is altogether a different matter.

A. (Mr. Joshi) Industrialization would mitigate famine in this way that it would give employment to people who are thrown out of employment during the famine period. Where does the food come from when the rain fails?

A. If there is not enough food we will import from outside.

22116. *Q.* That is what I want precisely to get at. The position is that if you have a large industrial population, you would in times of famine have to import food from outside.

A. (Mr. Joshi) Not necessarily.

22117. *Q.* I am assuming a shortage of rain and..... ...

A. (Mr. Joshi) Shortage of rain is confined only to a few districts in a particular year and the shortage will not amount to shortage of food in the country, as a whole.

22118. *Q.* I cannot follow that.

A. The first paragraph talks of the mitigation of the evils, poverty and famine.

22119. *Q.* I can understand the evils of poverty, but I cannot understand how the shortage of food is mitigated by having large industrial population.

A. One of the evils of famine is that the prices of foodstuffs go up very high and the poor people are unable to buy food because of their very small purchasing power. Now one of the points that we wish to make is that if India were industrially expanded the purchasing power of the people would be very much greater than it is at present. Thereby one of the evil effects of famine could be very substantially mitigated.

22120. *Q.* I ask this question because it has been put to us by another witness in a precisely opposite sense, that large industrial population would increase the difficulties of famine, not mitigate but increase.

A. Whenever there is famine one of the relief measures is to open cheap grain shops. If on the contrary, we put more money into the pockets of the agriculturists, this necessity of having cheap grain shops would be done away with.

22121. *Q.* But you will have to import food from outside.

A. Yes.

22122. *Q.* If food has to be brought from outside somebody has to get the food, somebody in the world would have to grow. The problem is whether there will be more food supply because you increase the industrial activities in this country.

A. (Mr. Joshi) India has not to depend on foreign countries provided the whole policy is changed. With intensive agriculture India would supply sufficiently the needs of India. If there is famine in one district there is no fear that India will have to import food from outside.

22123. *Q.* If you had inserted agricultural development, I should have understood it better. Your society considers that tariff is the best way to develop industries and in paragraph 4 you say that tariff alone is not going to work miracles. What do you really mean by it?

A. Protective tariff will develop industries by 95 per cent. The remaining 5 per cent. will have to be done by scientific equipments and so on.

22124. *Q.* You sincerely believe that 95 per cent. of the difficulties of making this country a big industrial country will be solved by means of protective tariffs?

A. Yes.

22125. *Mr. Coyajee.*—*Q.* I want to go a little further in regard to the relation between famines and the protectionist problem. I suppose what you mean is this, that the general reserves of the country increases by industrial development.

A. Yes,

22126. *Q.* We can certainly import with the result that the effects of famine are spread over a larger area taking the world as a whole?

A. Quite right.

22127. *Q.* In paragraph 4 you say that protection is only a part of the general programme of development.

A. Yes.

22128. *Q.* Do you include agricultural development?

A. Yes.

22129. *Q.* In the same paragraph you mention about bounties. May I know what scope you would assign to bounties in your programme of development?

A. (Mr. Joshi) As for example if India wants to start ship-building on a large scale at present, by giving bounties and subsidies to those companies which are prepared to start this industry, we can facilitate the growth of the industry of ship-building.

22130. *Q.* You mean those industries which cannot be benefited by protection can be benefited by bounties?

A. Yes. We need not divide that into watertight compartments. All the aids must go side by side.

22131. *Q.* I quite agree. Would you suggest that in the case of basic industry like steel there is a greater scope for bounties because protection to basic industries would hurt a great many other industries? Do you think so?

A. We mean both kinds of protection, certain protection in the form of protective tariff and also supplemented by bounties and subsidies.

22132. *Q.* Then passing on to questions 12-14 you limit the scope of protection. Some important witnesses came forward this morning before us and argued that what we want is a general tariff wall, an indiscriminate tariff wall built all round. What is your view?

A. (Mr. Joshi) We want to have a scientific tariff in consideration of the importance of the various industries. Our society would not grudge protection to those industries that require continuous protection for somtime to come if those industries are necessary for the national safety and welfare.

22133. *Q.* You would not start with a comprehensive wall?

A. (Mr. Joshi) No.

22134. *Q.* Now coming to questions 31-33, don't you think that generally in these proposals you tax the agriculturist twice? First he has to bear some share of the import duties and then of export duties in order that manufactures might develop. Is it not a great hardship?

A. It is to a certain extent. But the development of the country has to be looked to.

22135. *Q.* In the first place the agriculturist will be sensibly affected by the import duties.

A. (Mr. Deole) The agriculturist will sometimes be affected and sometimes may not be affected. It depends upon circumstances.

22136. *Q.* Suppose import duties are levied on sugar. Do you think the agriculturist will be hit?

A. (Mr. Deole) No, because in India the agriculturist generally uses low sugar or what is called *gur* and he will not therefore be affected.

22137. *Q.* It has been put before us very strongly that when you raise the price of white sugar that of jaggery falls at no great distance, but sometimes the jaggery is higher in price than white sugar?

A. (Mr. Deole) That is very rare. If duties are imposed on sugar, the cultivation of sugar would grow and thus the prices would go down.

22138. *Sir Edgar Holberton* :—*Q.* When.

A. Very soon.

22139. *Mr. Coyajee.*—*Q.* Take another case. Suppose a heavy duty is put on piecegoods. Do you think the agriculturist will have to pay some of it?

A. No, because the agriculturists do not go in for higher counts of cloth on which the duties will be imposed.

22140. *Q.* Does not the price of the locally made mill cloths follow the price of that of Lancashire?

A. Not always.

22141. *Q.* Will you give me your experience?

A. It does not always. There are occasions on which it does, but more often it does not, because the Manchester make is different from the Indian make and the consumers of cloth are also different.

22142. *Q.* Now you generally propose an export duty on foodstuffs with a view to conserving the foodsupply of the country.

A. On rare occasions.

22143. *Q.* I want you to look at certain figures which have been compiled for purposes of comparison of the foreign prices of piecegoods and those made here. (Handing

over certain figures.) Would you think there is any sort of parallelism in the movement of prices ?

A. The rise seems to be erratic.

22144. *Q.* But taking the period of years, both have risen about three times.

A. There may be various causes operating on them. That is what I contend.

22145. *Q.* If there is any parallelism, how would the import duty on Lancashire goods prove of any protection to local manufacture?

A. The whole trend of our recommendation and the recommendation of the general body is that we assume that some advantages will come into existence. If you impose an import duty, it will encourage and facilitate the establishment of factories for the production of finner counts of cloth which have not come into existence on account of the competition from Lancashire.

22146. *Mr. T. V. Seshagiri Aiyar:—Q.* Now Mr. Petit, I believe Japan and Bombay cater to the same class of people with regard to textile.

A. Yes.

22147. *Q.* If you put an import duty on Japanese goods, would not the Bombay millowner be tempted to raise his price to the extent to which the Japanese goods are being sold here?

A. It is bound to come.

22148. *Q.* So, what you say is this, that although there may be some rise of prices to the consumer it will not be felt and in the long run it would be beneficial to the country.

A. Yes.

22149. *Q.* I want to have some apprehensions cleared with regard to famines question. I do not remember that there has been a universal famine in the whole of India.

A. No.

22150. *Q.* I believe the famines are local, sometimes in Madras, sometimes in Bombay, sometimes in the United Provinces and so on. With the transport facilities you are able to bring crops from one part to another. The real difficulty is, suppose there is famine in Madras ; the crops will be brought to Madras from the rice fields of Bengal. But there will be heavier prices than you will have ordinarily to pay if there was no famine.

A. Quite right.

28151. *Q.* I understand your position to be this, if there is industrialization there will be more money in the hands of the people and they will be able to purchase crops which have thus to be imported.

A. That is exactly what we say.

22152. *Q.* Ordinarily the want of one locality is supplied by the production of another locality.

A. Quite right.

22153. *Q.* I remember two years ago when there was famine, we had been getting rice from Burma and Bengal and we were able to tide over our difficulties. Only the prices rose high.

A. Yes.

22154. *Q.* The higher prices can be got over if there is industrialization, that is your position ?

A. Quite right.

(Mr. Joshi) May I also point, Sir, that the Famine Commission held the same view that diversity of occupation of the people would mitigate this evil.

22155. *Q.* As regards this question of labour, it is not a question of scarcity of labour in this country ; the real difficulty is that there are certain hereditary callings and people are unwilling to leave those hereditary callings.

A. Apart from the callings, there is a tendency not to leave their provinces. You have only to impress upon them the desirability of travelling far away from their provinces in order that they may improve their status. if you put before them the advantage of a change of place, you will be able to get enough labour both for agriculture and for industry. What I mean to say is that in this country there can be no scarcity of labour as it exists in European countries. We have got so much of population and we are constantly complaining that they have not got enough of food to live and that they are very poor. Therefore there is really no scarcity of labour.

22156. *Q.* I want to ask you about the handloom industry. I find you generally say that the handloom industry should be maintained by all means possible. At present there is an excise duty of 3½ per cent. Of course it has a bad history. However suppose we leave out excise duty and in its place we put a duty which will have the effect of encouraging the handloom industry, would you have any objection ?

A. (Mr. Deole) We object to excise as a countervailing duty. That is our objection. At present the excise duty has only a revenue-producing effect and as such it will surely tend to the development of the handloom industry.

22157. *Q.* To that extent you will have no objection ?

A. (Mr. Deole) No. (Mr. Petit) It is that gentleman's personal opinion. I do not think I am prepared to say that the duty ought to be imposed with a view merely to the encouragement of handloom industry to the detriment of the power industry.

22158. *Q.* Suppose the power industry is sufficiently protected by the 7½ or the 10 per cent. import duty. If this excise duty of 3½ per cent. has the effect of encouraging the handloom industry you would have no objection.

A. (Mr. Joshi) We will have no objection in case this is a deliberate attempt on the part of the people to protect and encourage the handloom industry. All that we want is that the present handloom industry should be maintained. The handloom industry should be maintained on co-operative principles. The excise duty in a particular form may not be objectionable. But if it is specifically for this purpose, we will object.

22159. *Q.* There is only one more question and that is about foodstuffs. I think your suggestion that there should be an export duty on foodstuffs is opposed to every other evidence that has been given, because it will have a tendency to make these people to take to other crops ; if there is an export duty on foodstuffs the result will be that persons who grow foodstuffs will find that their income is gone and they will naturally take to some other crop which will bring more money.

A. (Mr. Joshi) But we believe that the income will not go. We believe that by industrialization the national dividend will increase and people will have more power to spend on foodstuffs. Therefore instead of having an adverse effect on the agriculturists, they would be stimulated to grow more.

22160. *Q.* That would be robbing Peter to pay Paul.

A. In extreme cases we recommend it. (Mr. Deole) In certain native states they have put export duty and there it has not affected.

22161. *Mr. Rhodes :—Q.* We have been told that the policy hitherto pursued by the Government is wrong for India. I want to get now a definition of what would be the right policy from a reasonable protectionist point of view. I have a formula here which I will read to you. I want you particularly to alter anything which does not express your views so that I can get your views. The aim of Government should be the maximum of revenue with the minimum of burden on the people so adjusted as to give adequate protection to Indian industries.

A. It talks more of revenue than of anything else in the first instance and protection comes in only incidentally. If you begin to impose duty for the sole purpose of giving protection, the question of revenue does not come in. It may happen that your revenues may not need additional resources, but you may still impose an import duty for the purpose of giving protection.

22162. *Q.* I say, ' so adjusted as to give adequate protection to Indian industries '.

A. The adjustment should be so made as to give protection and the revenue may be raised at the same time. But I would not place so much stress on revenue. (Mr. Joshi) We would subordinate revenue considerations to the consideration of protection.

22163. *Q.* And raise your revenue some other way ?

A. (Mr. Joshi) Yes. The primary object of a tariff policy should be so adjusted as to give adequate protection to all industries subordinating the considerations of revenue.

22164. *Q.* That is your point of view ?

A. Yes. The tariff policy of the Government should be so adjusted as to give sufficient protection to Indian industries subordinating all revenue considerations.

22165. *Q.* You would leave out the minimum burden on the people ?

A (Mr. Deole) The people may be taxed with a certain ideal in view.

22166. *Q.* Shall I say ' so adjusted as to give adequate protection to Indian industries with the least possible burden to the people '?

A. When we talk of protection, it is inconsistent in the very nature of a protective policy to expect minimum burden on the people.

22167. *Q.* May I say ' temporary burden ' ?

A. I simply suggest that the consideration of the consumer should not come in.

22168. *Q.* I will put it the other way, ' regardless of the interests of the consumer ',

A. Yes.

22169. *Q.* Do you want that put down ?

A. In effect it comes to that, because the ultimate aim is the development of the country. The consumer will be benefited in the long run.

22170. *Q.* I will put it another way. The first thing in your tariff policy must be the stimulation of industry, the second consideration and very much behind it must be the interests of the consumer and the third and a long way behind, must be revenue.

A. Yes.

22171. *Mr. Mant.*—*Q.* You just said 'regardless of the interests of the consumer'. I understand from paragraph 5 of your preliminary remarks, that you believe that he would be benefited by protection, because you say 'a protective tariff will generally lead to a temporary rise in prices, but ultimately there will be a reduction in them '.

A. Yes, we believe in this. There will be an immediate rise in prices by the adoption of protective policy, but in the long run by stimulating industries and by competition the prices would ultimately be reduced.

22172. *Q.* The members of the Economic Society are presumably students of history. Can you tell me of any other country in which a general system of protection has tended to reduce prices.

A. On the whole the level of prices among other things, owing to other factors are not brought down. In the economic history of the various countries we find that once prices have gone up it is difficult for the prices to go down. But by industrialization the national dividend would be increased and the people would not be hit owing to the rise in prices.

22173. *Q.* I am not talking of the national dividend. You say the policy of protection will ultimately reduce prices. I ask you whether you can give me an instance in the economic history of the world, a single country in which the adoption of a general policy of protection has had that effect ?

A. (Mr. Joshi) What we mean is relatively the prices will be lowered as compared with the present prices.

22174. *Q.* I am afraid I don't quite follow ?

A. (Mr. Joshi) It is a relative statement. When there will be industrial development in India, the prices would be lower than it would otherwise be.

22175. *Q.* (Sir Montagu Webb) Mr. Mant wants specific examples.

A. (Mr. Joshi) I do not know and our Committee cannot point out any.

22176. *Q.* (Mr. Mant) My question was—Could you give me an instance of a single country in which that result has in fact occurred ?

A. (Mr. Joshi) No.

22177. *Q.* In your answer to question No. 33, you recommend the imposition of an export duty on foodstuffs. You recognise that " By the imposition of such a duty, the agricultural interests may be adversely affected ; (by ' may be ', I take it you mean ' will be ') but in the long run, there is no reason to fear a substantial diminution in the quantity of foodstuffs produced. " Will you please explain why you do not anticipate any reduction in the production of foodstuffs ?

A. (Mr. Joshi) Because there is already a demand unsatisfied for foodstuffs in this country. There is a market for foodstuffs and so long as there is a market, the produce will not suffer.

22178. *Q.* Do you mean that the imposition of an export duty will not reduce the price of foodstuffs.

A. (Mr. Joshi) To a certain extent.

22179. *Q.* It will reduce the price ?

A. (Mr. Joshi) But not to the extent to affect agricultural interests adversely.

22180. *Q.* Will it not reduce the price ?

A. (Mr. Joshi) To some extent, it will.

22181. *Q.* In so far as it has any effect at all.

A. (Mr. Joshi) The middlemen will be eliminated. It would affect the middlemen.

22182. *Q.* You think that the imposition of an export duty will merely reduce the profits of the middlemen and will not affect the prices obtained by the agriculturists ?

A. (Mr. Joshi) Yes.

22183. *Q.* Can you give me any ground for that view ?

A. (Mr. Joshi) At present the land revenue policy of the Government of India is such that agricultural producers of foodstuffs have to sell their produce to pay the land revenue at the fixed time and at that time, the prices of foodstuffs are very low. The middlemen and sometimes agents of foreign firms buy and export and some of them hold them in the country. If an export duty is imposed, then it would fall upon these middlemen and not upon the agricultural producers.

22184. *Q.* The middlemen will get smaller prices when they sell the grains ?

A. (Mr. Joshi) Yes.

22185. *Q.* Why will they pay the same prices to the agriculturists when they buy ?

A. (Mr. Joshi) Because there is a large margin at present for the middlemen.

22186. *Q.* Why should they not retain the same margin ? Why should they cut their profits ?

A. (Mr. Joshi) It is a question of tendencies. One cannot state the answer in exact words. If they do not, the material will be sold in the country.

22187. *Q.* It is being sold in the country ?

A. (Mr. Joshi) The middleman is after it to export. If he offered the old rate, then he would be able to export. If he did not offer the old rate, he would not get it and it would be sold in the country. That is the purpose we have in view.

22188. *Q.* If he did not offer the old rate, he would not get it and it would be sold in the country at a lower price.

A. Yes.

22189. *Q.* The agriculturist is forced by the cruel land revenue policy of the Government of India.

A. (Mr. Joshi). I did not say ' cruel '.

22190. *Q.* By the land revenue policy of the Government, the agriculturist is forced to sell his produce to the middleman ?

A. (Mr. Joshi) Yes.

22191. *Q.* How will imposing an export duty alter that ?

A. (Mr Deole) Those who export now when they find the same market within the country, won't export.

22192. *Q.* Quite so. You have come to the point. Let us go back to the question, why will not the middlemen offer a smaller price to the agriculturists ?

A. (Mr. Deole) The foreign buyer with an export duty on foodstuffs will have to pay more. If the middlemen want to make the same profit, the foreign buyer will have to pay more.

22193. *Q.* We are eliminating the foreign buyer.

A. (Mr. Deole) If there is a competitive market and if the middleman cannot afford to sell his goods in the competitive market, then naturally he will have to offer less to the producer. If there is no competitive market, he will offer more to the producer.

22194. *Q.* That is my point. I gather that you don't agree with Professor Joshi that the producer will get the same price.

A. (Mr. Deole) Not always.

22195. *Mr. Jamnadas Dwarkadas* :—*Q.* There are two points I should like to ask you about. One is with regard to the excise duty. Mr. Seshagiri Iyer put a question to you whether you thought that the excise duty would afford protection to the handloom industry. I think it was Mr. Deole who replied. He said that as the margin was fairly large and as it did afford protection to the handloom industry, he would not object.

A. (Mr. Deole) If the excise duty had not the character of a countervailing duty.

22196. *Q.* You admit that the excise duty was imposed ever since the beginning for the purpose of giving protection to Lancashire.

A. (Mr. Deole) That point was made clear.

22197. *Q.* When the excise duty was imposed the object was to give indirect protection to Lancashire. The idea of giving protection to the handloom industry was never in the mind of the Government.

A. Our Committee is against the countervailing duty.

22198. *Q.* I will put to you the present policy. I should like to know your views on this definitely. Up till yesterday there was a margin of 7½ per cent. between the import duty and the excise duty. Even then we have had statements from experienced witnesses that they object to the very existence of the excise duty because the whole history was such as one would not like to talk about. At present the mill-made cloth is being largely consumed by the poor people.

A. Yes.

22199. *Q.* If there was an increase in the excise duty, would it not fall on the pockets of the poor people ?

A. It would.

22200. *Q.* Even if on the paper the difference between the import duty and the excise duty remained the same, don't you think that the increase in the excise duty from 3½ per cent. to 7½ per cent. is a heavy blow not only to the mill industry but also a heavy burden on the poor people ?

A. Yes. (Mr. Joshi) Our society protests against such action.

22201. *Q.* Do you think that it can at all be a fair policy on the part of the Government ?

A. It is an unfair policy on the part of the Government of India.

22202. *Q.* I think you said in answar to Mr. Rhodes that the tariff policy should be so adjusted as to give sufficient protection to Indian industries regardless of all revenue considerations. The tariff policy of the Government should be first protection of industries, second, a long way behind, the interests of the consumer and third, still further behind, revenue. I take it that what you mean is if a policy of protection were adopted, it would give an impetus to the industry.

A. Yes.

22203. *Q.* That would mean more wealth at the disposal of the country.

A. Yes.

22204. *Q.* That would mean the alleviation of the poverty of the people.

A. Yes.

22205. *Q.* That would mean that Government would be able to get adequate revenues from all rich people.

A. Direct taxes, that is the point.

22206. *Q.* That would also mean that even if the prices went up and if internal competition did not bring prices down, the purchasing power of the people would so increase as not to affect the consumer. That is the point.

A. Yes.

22207. *Q.* That is why you place the policy of protection for giving an impetus to the industries in the forefront of your programme.

A. Yes.

Sir Manakjee Dadabhoy :—Q. In reply to Sir Edgar Holberton you said that there are about 250 mills all over India.

A. Yes.

22208. *Q.* Out of that 80 mills are in Bombay.

A. Yes.

22209. *Q.* The labour is not one of such serious importance because the development of the mill industry can take place where there is no labour problem.

A. Yes.

22210. *Q.* We have to consider the question of textile industry of India and not of Bombay only.

A. That is so.

22211. *Q.* In reply to Question No. 30 you say "Export duties may be levied in the case of monoploy articles if they are absolutely indispensable for raising the necessary revenue. They may also be imposed in extreme cases for conserving natural resources." I should like to know what are those extreme cases ?

A. Famine scarcity.

22212. *Q.* You refer in your answer to the conserving of natural resources.

A. The case in point is bone manure, iron ores, etc.

22213. *Q.* You think that they are necessary for the agricultural industry.

A. Yes.

22214. *Q.* You would not fritter away your natural resources.

A. No.

(The witnesses withdrew).

Witness No. 137.

Captain E. V. SASSOON.

Written statement dated the 27th February 1922.

22215. There can be little doubt that a policy of Protection is essential to an undeveloped country with the vast natural resources and enormous population of India, but at the same time such a policy should be cautiously and scientifically administered by the Legislature, under expert advice, so as to press as lightly as possible on the consumer.

22216. There are certainly a number of industries that could be advantageously fostered and which would at the same time require some degree of protection during the development stage, to enable them to overcome successfully the organised competion of foreign imports, but from the Consumers' point of view there are very great disadvantages in the imposition of immediate heavy duties.

22217. It is common knowledge that until very recent times, the average Indian investor was exceedingly nervous of risking his savings in new industrial enterprises and the present wave of economic depression, which has adversely affected a number of new commercial propositions, may make him still more reluctant to invest in pioneer schemes. Even at the height of the Industrial boom the bulk of the savings of the country was still being invested in land, buildings, gold, silver and precious stones, and this proclivity of the Indian Investor should not be lost sight of.

22218. It should also not be forgotten that India is an agricultural country and that the industrial labour in existence to-day is largely a migratory one dividing its time between agriculture and industrial work. This fact can be proved by the great scarcity of labour which takes place when a good monsoon makes agriculture a profitable pursuit.

22219. It is very probable that a heavy import duty on an article not yet manufactured or only manufactured to a small extent would weigh very heavily on the consumer for a number of years, during which time the industry might be expanding slowly through lack of capital, and the fact that the necessary training of labour could not be rapidly proceeded with, and if this duty were to be placed on a large number of articles at the same time the keen competition for available capital and labour might delay their development still further.

22220. The following suggestion which is put forward with great diffidence may however point to an avenue worth exploring :—

22221. The Legislature through its Board of Experts might offer to put a duty of say 20 per cent. on the import of an article directly the production of India reached a certain figure, which should not be an unduly high one. This would enable the Capitalist to decide whether the manufacture of the article on a large scale was worth embarking on or not. The Board might also state, so as to encourage the quick development of the industry, that immediately the production reached a certain higher figure the import duty would be raised to 50 per cent. This duty could be still further increased when the output of the industry was one which nearly satisfied all internal demands.

22222. It is assumed that the article in this case is one which India is particularly competent to manufacture, and which once the Industry was established could compete favourably with the rest of the world. The Board might then say, that after a period of years the duty would be reduced at intervals until it was brought down to the present rate or even less.

22223. This would protect the consumer from being unjustifiably exploited and at the same time ensure the industry being thoroughly organised and placed in the highest possible state of efficiency during the foregoing period to enable it to successfully hold its own against foreign competition which would naturally revise with the reduction of the import duty.

22224. It has been suggested that when once the authorities receive a good revenue from import duties on an article, it is very difficult to persuade them to reduce it. but to safeguard this point it might be laid down that all the revenue obtained surplus to that which would have been received from an ordinary rate of duty should go to a special Industrial Development Fund.

22225. In selecting the articles to which this Scheme would apply preference might be shown to those using raw or semi-manufactured materials, and where these are imported the tariff rates on such imports might be advantageously reduced below the normal one.

22226. As the writer was a member of the Sub-Committee which drafted the replies submitted by the Millowners' Association and is substantially in agreement with them, it is not proposed to inflict replies to the detailed questionnaire on the Fiscal Commission.

Oral evidence, Bombay, dated the 1st March 1922.

22227. *President*—*Q.* You are a partner in the firm of Messrs. E. V. Sassoon & Co.

A. Yes.

22228. *Q.* Your firm is engaged in manufactures on a large scale as well as in the export and import trade.

A. Export and import trade, textile manufactures and chemicals.

22229. *Q.* In paragraph 3, you draw attention to the fact that until very recent times Indian capital has been shy.

A. Shy of anything new in the way of industrial enterprise.

22230. *Q.* You also point out that even at the height of the Industrial boom the bulk of the savings of the country was still being invested in land, buildings, gold, silver and precious stones.

A. One saw that particularly in the extraordinary rise in the value of land and buildings.

22231. *Q.* You think that if a protective policy was adopted it would remove to some extent the nervousness of which you speak and that more capital would be forthcoming for investment in Indian industries ?

A. What is wanted is confidence and a policy of protection would help to secure that at once.

22232. *Q.* You mean that protection would secure the necessary confidence ?

A. Yes.

22233. *Q.* You have given in the paragraphs following your suggestions as to how industrial development could be brought about with the least injury to the interests of the consumer ?

A. Yes, to protect the consumers where the manufacture or the new industry is not getting an immediate benefit.

22234. *Q.* Your scheme is that the legislature through its Board of Experts should offer to put a duty of 20 per cent. on the import of an article directly the production of India reached a certain figure which should not be unduly high ; that is to say you would advocate the granting of protection after an industry is established or you would offer to impose a 20 per cent. duty if enterprising people would come forward to establish an industry which had natural advantages ?

A. Exactly. My point is that if capitalists or investors work out that the industry would be profitable knowing that if the production reaches a certain point, there would be a duty, they would be encouraged to risk their money in building up an industry for that purpose and during the building up period, they would be getting no protection which would encourage them to undertake the enterprise on a large scale.

22235. *Q.* And then you go on to say that a certain standard of production should be laid down which if reached should entitle the manufacturer to a duty of 50 per cent.

A. My reason is this. Obviously, if you were starting an industry you would do so in the most favourable localities under the most favourable conditions so as to be on the safe side. There would be localities which would not be so favourable. The capitalist would have to remember that he would have to compete with others who may have already been established in getting the 20 per cent. protection and in order to encourage further a second row of capitalists or investors to come in and increase the production, you promise an extra protection. You then come to the point of view that the whole of the indigenous industry is protected highly from non-Indian sources and you are brought to the point when there will be internal competition. My suggestion therefore is an attempt to develop an industry up to a point when by internal competition the prices might become more reasonable.

22236. *Q.* Do you think that you will find in India many investors enterprising enough to put their money into an industry the initial stages of which would be full of difficulties to contend with and during which time they would get no dividend or return on their capital till they reach that standard which would entitle them to a 20 per cent. protection.

A. Of course my view is that capitalists as long as they know what is going to happen in the course of the next few years are able with the help of experts to decide whether it is worth going into or not. There are a number of undertakings (you might take gold mining) where you don't expect to get an immediate return but where if you know that you are going to get a big return later on you are prepared to sink capital for no return for several years. Besides a number of industries would take a year or perhaps two to be properly established before they are working on an economic basis. We all realise when we start a big industry that it will not be a paying proposition, until the whole concern is working on an economic basis. You may be earning a profit in certain departments but other departments would more than swallow this surplus up so that the consumer should be protected during the period when you are perhaps not producing at all when you are not getting the benefit of the duty.

22237. *Q.* I realise that. What I want to know is whether you think that under present Indian conditions, as joint-stock enterprises will have to be resorted to to secure the necessary advantage of industrial development on a substantial scale shareholders would put in their money on concerns which would not give them any return for three or four years ?

A. It might suit the capitalist. The capitalist only starts an industrial development so as to later on either by flotation or otherwise, get the public in on obviously less favourable terms. He has carried the burden and he therefore reaps his harvest, when the particular enterprise has become established. There might be—I see your point—some diffidence among the little shareholders but on the other hand it is the same principle as underwriting. The big capitalist underwrites in the hope that the capital of the shareholder would come in later on. In the same way, he would be really underwriting the enterprise.

22238. *Q.* Assuming that that policy is adopted, do you think that there will be many capitalists who would come forward on this basis in order to secure a reasonably expeditious growth of industries in India ?

A. I would strike a balance between the two. On the one side the capitalist would say "give me my return right away." That is to his advantage and he would obviously ask for it.

22239. *Q.* There would be many more industries started if protection is given at the start instead of waiting till the conditions you made out are realised.

A. Certainly, but on the other hand industries might be started rather more rashly. They might be started by people who did not go into the question very carefully and the point I am bringing out here is which is perhaps unusual from the capitalist point of view, that we should think of the consumer in the interval. If protection is given from the start it would be of advantage from the capitalist point of view but you might go so far as to delay the duty for a year or so because it would take a year or two before anybody could start the enterprise and during that time the enterprise would not need any protection because it would not be in a position to produce. I will make another suggestion. You might say that instead of putting on a protective duty all at once, you might say "We will put this on in two years' time to enable you to reach the producing point." You will notice Mr. President, that I am putting the suggestion forward with great diffidence because I have not had the opportunity of thinking it out very carefully. It was merely put forward in the hope that you gentlemen of high mental calibre would do the thinking out and knocking it into shape if there is anything worth considering.

22240. *Sir Manakjee Dadabhoy*—*Q.* I understand that the essence of your evidence to-day is that the fiscal policy must be such as to inspire confidence in its stability.

A. That certainly would be necessary.

22241. *Q.* That it should be so shaped as to appeal to people more than anything else. If you want to inspire public confidence it must be one that will appeal to people.

A. That of course would be made by an ordinary protective tariff. That comes in my first part in which I am pleading for protection but my subsequent suggestion does not necessarily associate with it.

22242. *Q.* Taking your first suggestion, I believe you stated that the policy should be such that it should be stable.

A. From the capitalist point of view, from any point of view of an industrial development, one wants to have a certain period of security. One wants to feel that during that period one may get more protection but one will not get less.

22243. *Q.* In other words the people who launch industries must know exactly where they stand.

A. That is exactly what I mean.

22244. *Q.* Frequent fluctuations in the fiscal policy are injurious.

A. Most injurious.

22245. *Q.* To the interests of the country at large

A. Yes.

22246. *Q.* They are not only injurious to the interests of the country but they are diametrically opposed to the growth of industries in the country.

A. Yes.

22247. *Mr. Jamnadas Dwarkadas*—*Q.* I understand that you advocate protection for giving impetus to the industries in India.

A. Yes.

22248. *Q.* The view generally expressed before this Commission is that a policy of protection might be a burden on the consumer at least for a few years. What you suggest is intended to lessen this burden.

A. It should only prove heavy when the industry was getting benefitted. If it is to be a burden one wants to feel that the country would get the benefit.

22249. *Q.* You would not therefore suggest a minimum or maximum protective duty, but you would hold out prospects for an industry and say if the industry is able to manufacture this article to this extent in a given time such and such protection will be given to that industry ?

A. If you knew that at a particular period a large bulk of the internal needs would be met you could afford to levy a protective duty which would be heavier than if you were not sure of that.

22250. *Q.* But your scheme would raise the protection further and further in proportion as the industry is able to supply more.

A. Internally up to a point.

22251. *Q.* Then you would remove the protection ?

A. Then you will tell them it will be for so many years and then it will be gradually reduced.

22252. *Q.* Gradually !

A. Distinctly gradually because during the gradual reduction those parts of the industry which were less fitted to survive would die out or would become absorbed into the industries which are more favourably situated in various parts of the country. It will give time for people to judge which centres would develop and which would die out.

22253. *Q.* Let us take a concrete instance, the cement industry. Before the war the cement industry did not exist at all for all practical purposes. Then the war gave natural protection and an opportunity for the industry to be established in India. The result was that an industry was established. Because of the existence of the war the prospects of the industry were so great that it attracted a number of people. You know that probably ?

A. Yes.

22254. *Q.* With the result that to-day the production of cement is likely to be more than the actual requirements of the country ?

A. Yes.

22255. *Q.* It was stated before this Commission that the production is likely to be more than the actual requirements of the country in course of time. At the same time the lower exchange in foreign countries, if I may correctly say so, has encouraged the dumping of foreign cement here. If you apply your scheme to the manufacture of cement what would be the position ?

A. The position would be this. In the first case in the detailed answers which the Millowners' Association gave it was pointed out, and I am in favour of it—that where you have got a case of dumping due to depreciated exchanges or other political causes, you could put a protective duty upon the articles affected. I am leaving that out of the question. Let us assume you have now got an industry which is capable of supplying the needs of India. You also say that the non-Indian product can compete with the home product owing to special conditions like depreciated exchange, might be bounties or so on. I think it will be fair to protect the industry to that extent. Now, we come to the next point, and that is : Assume all those conditions are normal ; how will the Industry compete with the foreign imports on the assumption that India is favourably placed for the development of that industry ? It would mean that owing to the rush of development in the war, part of it has been unwisely developed, and I should therefore, according to my suggestion here advocate a protection for a certain period of years and then it will come down after a certain period of years,—it might be 5 years or 10 years. Of course it will always be adjusted to deal with dumping, the idea being that at the end of that time those that are unstable will have to drop out, but those that are stable will develop to take their place.

22256. *Q.* You want to lighten the burden on the consumer ?

A. Only where I do not feel that the country is getting the benefit. Now, in the case of an established industry like cement, employing a great deal of labour, and indirectly giving profits to a large number of subsidiary industries, the country is benefitted, so that if there were a burden it might be justified to a certain extent.

22257. *Q.* Take the cement industry. If you do not protect the cement industry, the benefit goes to the consumer.

A. If you protect, the benefit goes to the country.

22258 *Q.* Another scheme which has been formulated before this Commission by many witnesses is that a protective duty should be imposed from the very beginning. This I take it, would cause a temporary burden on the consumer. I think the effect of your scheme would also be that it would throw the burden on the consumer ultimately. Considering this fact would you prefer your own scheme or the other ?

A. There is not much difference between my scheme and the other. The main point in my scheme was to bring the industry to the stage of producing the needs of the country before giving it complete protection. When it has reached that point we are both at one.

22259. *Mr. Mant* :—*Q.* You referred to the fact that labour is occasionally very scarce when there is a good monsoon. Do you find that difficulty in cotton mills ?

A. We do.

22260. *Q.* That is owing to the demand for agricultural labour ?

A. You see : so many of the mill hands are agriculturists as well. Their brothers or part of their family are working on the land. They go back now and they all work on the land and when the labour is unnecessary there, they or perhaps their brothers, come to work in the mills.

22261. *Q.* You said that the industrial population is increasing ?

A. The percentage of the industrial population has grown in the mill industry.

22262. *Q.* And is it still growing ?

A. Yes. We are gradually getting people who do not go up-country.

22263. *Q.* And they will form the labour of the future ?

A. Yes.

22264. *Q.* Coming to your scheme of protection, if you undertake to put on protective duties at some future date, what sort of period you contemplate for their retention ?

A. That, of course, will have to be settled by your Board of Experts, because it will depend on the conditions of each industry.

22265. *Q.* But it might be retained for a good many years ?

A. In some cases it might be 15 years or 20 years.

22266. *Q.* I want to ask you whether you think the Government of to-day will be justified in committing the Government of the future for such a long period to a policy of protection ?

A. Whether it will be possible I do not know, but whether it will be justified, my suggestion makes it easier to justify it than the ordinary straightforward fiscal policy.

22267. *Q.* We have had a good deal of evidence that the majority of educated Indians to-day are in favour of protection, but some of the witnesses told us that it is not altogether realised that the effects might be harmful to the large agricultural community, who at present are hardly able to make their voices heard, and some of the witnesses told us that the middle classes who to-day support protection will find that it raises the cost of living much more than they anticipate and that there may be a reaction against it. So, it is possible that in the future political history of this country some opposition might arise as has been the case in America and other countries.

A. Well, if we take America there has been some opposition to the height of the duties, but I know of no country which has got natural resources and which has changed from an agricultural country to an industrial one, like the United States of America, where anybody has suggested a complete abolition of the duties. It might be a question of how much, but never, that I have understood, a question of free trade. I think the danger is not so much that future Governments will not wish to continue a policy of protection, but what has been pointed out, I believe by some of your witnesses, the great difficulty in taking off a part of the protective tariff when it is no longer necessary. I think that is your greatest difficulty. I do not think there is any likelihood of having, in the future, an electorate who will say : "We shall have no duty at all." If the consumer regrets the high prices as a consumer, as a producer he will be likely to earn the money to pay those prices and buy those things.

22268. *Q.* That is another point. Can the present Government tie the hands of the future Governments ?

A. There might be a technical difficulty over that, but if the Board laid down the policy, it would advice though not bind the future Governments. The future Governments would have to go against their technical advisers if they wanted to remove the protection.

22269. *Q.* But future Governments can repudiate the policy laid down by their predecessors?

A. I do not think there will be any practical difficulty.

22270. *Q.* You think the present Government would be justified in binding its successors?

A. I think so.

22271. *Q.* There is one more question, and that is in regard to your suggestion that the surplus obtained by protective duties should go to a special industrial development fund. I do not quite understand how you would determine what amount of the surplus was due to protective duties.

A. Well, let us assume that to-day we have got a general duty of 15 per cent. on certain articles. If the particular article came under that, I would allow the 15 per cent. to go to the ordinary budget and the surplus to go to the special fund. If it is a 20 per cent. budget, 20 per cent. would go to the budget and the surplus to the fund.

22272. *Q.* But the extra duty you put on as a protective duty would reduce the imports presumably. You have a 15 per cent. duty and if you put a high protective duty in addition you would reduce the imports?

A. You would either reduce the imports or the consumption of the country would increase. I am assuming the development of the industry.

22273. *Q.* If you develop the industry, the imports would be reduced?

A. Not necessarily. You very often find that if the industries of a country develop and if the country thereby becomes richer, they can afford to buy luxuries or semi-luxuries. There, the volume of imports does not decrease because consumption is on the increase.

22274. *Q.* But in many cases, you will agree, there will be a reduction.

A. In a particular class, but it would be made up in another class of imports.

22275. *Q.* In the revised tariff which has been brought out to-day we notice several items have been put in as high a category as the imports would stand for revenue purposes and if you put on a higher duty, there will probably be a fall?

A. Because the people could not afford to buy it? It is no good for a man to be offered a Rolls Royce at half its price, if he can only afford a Ford, but if it is a case where he can afford to buy a Rolls Royce, there will be enough consumption of Rolls Royce.

22276. *Q.* The duty for protective purposes might go beyond the limit for revenue purposes, and then you might get loss of revenue.

A. You might in that article.

Mr. Rhodes—

22277. *Q.* In discussing the fairest imposition of this duty with the President, you suggested that you might give two years' notice in order that it may not be a tax on the consumer, but in that connection have you realised what the action of the importers would be? Have you realised what would be the condition of stocks in the country at the time your new industry is ready to start? I might bring the articles and stock them a year ahead.

A. If you stock a year ahead you would have to add your standing charges.

22278. *Q.* The industry when it produces would have to compete with an enormous imported stock at home?

A. It could not be very enormous. There is always a limit to the stocks of the country.

22279. *Q.* Imported piece goods, I suppose, carry a year's stock?

A. If you take a normal year and you add on one more year you will probably come to the limit of financing possibilities.

22280. *Q.* Your new industry would be handicapped by an enormous weight of stocks?

A. I see your point. You say the importer would carry a year's stock. During the following year the duty would be on. It will protect the consumer too during that period.

22281. *Q.* I gather that our present 15 per cent. duty, if there is an assurance of its staying on, would enable certain industries to start.

A. I can give no opinion on it. It is a matter for experts to decide on any particular industry.

22282. *Q.* Your whole scheme is an ideal of mass production got up to cheapen production on economic lines?

A. Yes.

22283. *Q.* Your whole idea is to foster really economic production. I want to suggest that in India there has been a very big change in regard to that point of view. Ten years ago, we had schemes of 4 and 5 lakhs: nowadays, without this protection which you advocate there are enormous schemes, such as the Central Provinces Cement, the Indian Iron and Steel Works, and other new companies. I suggest therefore that this protection for mass production is not really so necessary. There are many large companies now.

A. But all the schemes come to Bombay and the financiers of Bombay have to consider very carefully whether the time is justified.

22284. *Q.* Is it not a good thing that they come to a place where there are business men who can weigh the possibilities?

A. It would be very much more difficult to launch big schemes in the coming year than it was in the boom period.

22285. *Q.* Capital is there and it is not attracted?

A. It is not attracted.

22286. *Q.* You think it is so.

A. I won't say: there is no finality for the supporters of schemes.

22287. *Q.* Under a moderate protection and external competition the tendency on the part of big people has been to amalgamate and to put up labour saving plant and generally to go in for mass production. But when there is rather a heavy protection of 50 per cent. the tendency may be otherwise.

A. The whole point is this: the word mass production, I prefer to say, is an economic point, and once you get over that point you won't cheapen production. If I have got an iron and steel works, which has reached that economic point and another man has also got an iron and steel works, and an offer were made to me to amalgamate I would not amalgamate because it won't pay me.

Mr. Seshagiri Ayyar—

22288. *Q.* If you have a declaration of policy as you have indicated, then confidence would be enthused in the people and capital would come in. Although in the initial stages they may expect some loss, having regard to the declaration that when production has reached a certain point there would be protection, people would bring in capital. That is your principle?

A. Yes, as a rule.

22289. *Q.* Even in Europe they are going to declare in Genoa how reconstruction is going to be carried out. If there is a declaration of policy like that, then it is easy for capital to come in?

A. Yes.

22290. *Q.* About succeeding Governments, I think your idea is that the Board suggested by you would be a permanent organisation.

A. Yes.

22291. *Q.* And it is not likely that one legislature would repudiate what has been declared necessary by a competent Board?

A. It would be very unpopular.

22292. *Q.* You suggest that the surplus obtained by a protective duty should be invested in an industrial development fund. I take it your idea is this: there have been some people who said that once a duty is imposed the Government would be reluctant to remove it, and you want to remove that temptation from the Government. If you earmark the surplus for a special fund there would be no such temptation.

A. Yes.

Mr. J. C. Coyajee—

22293. I greatly admire your scheme. There is only one remark I would make. Why have a gradual raising of protection in two stages. Why not say "The legislature through its Board of Experts might offer to put an adequate duty on the import of an article directly the production of India reached a certain figure?"

A. If you make the point very high say 80 per cent. of the internal consumption, you might get the difficulty which your President pointed out: there might be too long a period before the duty would be levied. I therefore suggest that 20 per cent. should be offered directly the production reached a certain moderate figure. I give 20 per cent. only as an illustration. Take the case of iron and steel. Suppose they are able to produce 3,000 to 4,000 tons. I give them a 20 per cent. protection. It is just possible that by putting up a rail they would be able to produce more. I say if you reach a certain figure, the protection will be 50 per cent. Thus there is the incentive to produce more.

22294. *Q.* Unless you give adequate protection where is the incentive ?

A. On that theory nobody would invest in railways. It is only the prospect of getting a dividend in the future that makes them do so.

The President—

22295. There is the Government guarantee for them. The interest is guaranteed by the Government.

A. That is in some cases. Let us take a big iron scheme. If there was a prospect of their getting protection directly a certain point of production is reached, then capital would come in.

Mr. Coyajee—

22296. *Q.* The only thing I suggest to you is that unless there is adequate protection there will be no profit whatever when it is started. (No answer.)

Sir Montagu Webb—

22297. *Q.* I think I have followed very clearly what you have written and what you have said here about your scheme. But is this not quite the most expensive way of going about the object ? Would you not achieve your aim more economically by paying bounties straightforwardly ? Would it not cost the public and the Government much less ?

A. I do not say that a bounty should never be given. My objection to bounties is that they are generally given to certain firms and certain people. Although there is no doubt that under my scheme the big capitalists would be able to take advantage of the protection, there would be nothing to prevent little people from producing and taking advantage of it.

22298. *Q.* What seems to me then is that while this industry is improving the public are robbed of 20 per cent. until such time as it produces. The public are asked to pay more for their commodity and the public are asked to pay more for our collecting the duty. All that might be saved and the bounty you can give on production. Is not that more economical ?

A. That is often done and is being done in the case of an Aeroplane Service from Paris and back. I am very interested in the Technical Press, and what I find there to-day is that there is a complaint that certain companies are getting it and they are not putting certain machines, they are not working economically, and their bounty should be dropped. The complaint is that there is a semi-monopoly and so on. You are likely to get the same sort of complaint here.

22299. *Q.* I am suggesting that a bounty should be given on production. Take the case of cement.

A. It would rather be difficult to see that it went into the right hands. I can imagine certain people who would show cement which may not have been manufactured by them.

22300. *Q.* What I suggest for your consideration is it would be a more economical outlay of money.

A. I am sure my Board of Experts will consider that. I am sure they will find difficulty in both cases.

Sir Edgar Holberton:—

22301. *Q.* Have you examined at what point this 20 per cent. would operate ?

A. That would have to be examined very carefully by the Board.

22302. *Q.* In determining when you have got to that point, would you include only the pioneering people or all the little people ?

A. All the little people.

22303. *Q.* General production ?

A. General production irrespective of quality.

22304. *Q.* You should regulate that question.

A. The quality should not be inferior to a certain standard if it is considered necessary.

22305. *Q.* People who came in first have the worst of it, because they have had to wait long, isn't that so ? The other people would come at the time when the 20 per cent. has already been raised.

A. Yes, on the assumption you get people to come in. They would only come in when they feel sure that they can produce the amount required by the time they are in full swing.

22306. *Q.* You think philanthropic capitalist would come in ?

A. If he can get a return on his capital later on. He always remembers that at the last stage the little man goes out.

22307. *Q.* That is your view ?

A. The little man would not be able to sell ; he will have to sell at a discount.

22308. *Q.* Because his is of an inferior quality ?

A. Yes.

22309. *Q.* The other point of interest in your paper that I want to mention is about the shortage of labour.

A. That is one of the disabilities. Industrial labour is a migratory labour, and if you had a large number of schemes coming on at once by a general protective tariff, there may be shortage of labour.

22310. *Q.* At present, do you mean there is a shortage of labour ?

A. I understand that most of the industries find a shortage of labour at any rate at some part of the year.

22311. *Q.* At the present moment you have considerable amount of labour ?

A. Yes, we have. But the increased industrialisation will of course increase the difficulties.

22312. *Q.* At the present time has not the development scheme added to the industrial difficulties of Bombay ?

A. It is a big thing.

22313. *Q.* I want to show that the labour question is not so easy as some people imagine.

A. I quite agree.

22314. *Sir Montagu Webb* :—*Q.* It was suggested to us that cement factories came into existence owing to the war stimulus. But I think as a matter of fact the cement factories in the Central Provinces, in the Northern India and on the coast were erected before the war.

A. The industry was largely developed during the war.

Supplement to Witness No. 137.

Copy of a demi-official from Captain E. V. Sassoon, to the Hon'ble Sir Ibrahim Rahimtulla, No. D.-S., dated the 4th March 1922.

22314A. With reference to your request for the average return of capital employed, I have passed this on to the Mill-owners' Association, but have pleasure in letting you have a copy of the figures as they affect our group of mills for 1921.

You will notice that in every case we have the date of purchase and as you are aware both the Edward and Meyer Mills were bought at particularly favourable prices. The item of the working capital is the average of the monthly indebtedness of the various mills.

E. D. SASSOON UNITED MILLS, LIMITED.

Date of purchase—1st January 1920.

Monthly average of capital employed—

7½ per cent. Cumulative preference Shares	2,00,00,000	0	0
Ordinary Share Capital	2,99,80,193	0	0
Loan	1,00,00,000	0	0
Reserve Funds	22,71,400	0	11
	6,22,51,593	0	11

Working capital borrowed from Agents	96,02,509	0	0
Sundry Creditors	26,43,040	0	0
Profit and Loss Account	7,99,098	2	3
TOTAL CAPITAL EMPLOYED	7,32,96,240	11	2
Profit and Loss Account for the year ending 31st December 1921	95,89,177	11	4
Less depreciation	19,11,040	0	0
	76,78,137	11	4

10·60 on Capital employed.

EDWARD SASSOON MILL.

Date of purchase—19th April 1910.

Average monthly capital employed in 1921—

	Rs.	A.	P.
Ordinary Share Capital	17,00,000	0	0
Debentures	12,00,000	0	0
Reserve Funds	11,05,000	0	0
Other Funds	96,402	2	8
	41,01,402	2	8
Working capital borrowed from Agents	1,49,073	12	11
Sundry Creditors	7,57,015	1	0
Profit and Loss Account	1,20,237	6	8
TOTAL CAPITAL EMPLOYED	51,27,728	7	3
Profit and Loss Account for year ending 31st December 1921	14,42,849	2	1
Less depreciation	1,75,000	0	0
	12,67,849	2	1

24·54 per cent. on Capital employed.

MEYER SASSOON MILL.

Date of purchase—11th October 1910.

Average monthly capital employed in 1921—

	Rs.	A.	P.
Ordinary Share Capital	10,00,000	0	0
Debentures	12,00,000	0	0
Reserve Funds	6,90,000	0	0
Other Funds	81,560	11	7
	29,71,560	11	7
Working Capital borrowed from Agents	2,78,092	11	9
Sundry Creditors	7,27,661	6	5
Profit and Loss Account	1,09,480	5	4
TOTAL CAPITAL EMPLOYED	40,86,795	3	1
Profit and Loss Account for year ending 31st December 1921	13,13,764	4	2
Less depreciation	1,50,000	0	0
	11,63,764	4	2

28·50 per cent. on Capital employed.

YEAR ENDING 31ST DECEMBER 1921.

Total average monthly capital employed of United Mills, Edward and Meyer	8,25,10,764	5	6
Total annual profit of United Mills, Edward and Meyer	1,01,09,751	1	9

12·13 per cent. on Capital employed.

Witness No. 138.

Copy of letter No. G.-101—122, from Messrs. Tata Sons, Ltd., Agents, The Tata Oil Mills Company, Ltd., Bombay, dated the 17th February 1922, regarding Import Duty on Copra.

22315. We have the honour to forward copies of the correspondence noted in the margin and to request that they may as suggested by the Government of India be brought to the notice of the Members of the Commission. In addition we would point out, that the import of copra into this country will not affect the producers of this material in India as our desire to import results from their inability to supply. An additional point in favour of our proposal is the fact that we shall always export more oil and cake than can be made from any quantity of copra that we are likely to import. In this case therefore the present duty without raising any revenue or benefiting any producer in India merely operates to prevent the establishment of the oil crushing industry in this country.

22316. We understand that Mr. J. C. K. Peterson of our firm will give evidence before the Commission on behalf of the Tata Iron and Steel Company when the Commission is in Bombay and we suggest that if this suits the convenience of the Commission and they desire any further information than is contained in these papers, he may be examined on our behalf at the same time. We have not answered the questionnaire prescribed by the Commission as India being an exporting country in this respect we do not advocate any other alteration in the existing tariff.

Copy of a letter from Messrs. Tata Sons, Limited, Agents, The Tata Oil Mills Company, Limited, Bombay, to the Secretary to the Government of India, Commerce and Industry Department, No. G.-5—22, dated the 3rd January 1922.

22317. We have the honour to submit for favour of sympathetic consideration the following representation concerning the duty imposed in Cochin on imports of copra from all countries outside British India.

22318. 2. With a view to develop the oil-seeds crushing industry in India, we have floated a Company with a capital of a crore of Rupees and have installed at Tatapuram (Ernakulam), in the Cochin State an Oil Mill designed to crush about 37,500 tons of copra annually.

22319. 3. For the supply of raw materials we relied at first on the Malabar Coast, but there were rapid developments which compelled us to cast about for other materials wherewith to keep the mill going. Within two months of our starting operations in May 1920 we had to stop crushing not only because the supply was inadequate but also because prices went up so high that it would have been disastrous to continue operations. In the last season we were confronted with the same difficulties. Unless therefore we can secure copra on more favourable terms from elsewhere we fear this new industry which, if fostered properly, has a great future befort it, will be severely handicapped at the very start. The difficulty of getting an adequate supply of copra was one of the main reasons of the loss we suffered last year.

22320. 4. The places outside British India from where we can get supplies of copra are principally Ceylon and the Straits Settlements, but the one

serious obstacle to obtaining copra from these places and other countries is the high duty levied on imports of copra into India, whereas there is no duty on exports of the same article from India. The duty on copra imported into India is 11 per cent. on a tariff value which has been fixed so high as Rs. 540 per ton. This has the practical effect of prohibiting the import of copra into Cochin from outside India. The revenue derived from the imposition of this duty is insignificant. In 1915-16 the duty realised on imports of copra amounted to £182 only in 1919-20 it was £1,078. It is thus obvious that whilst this import brings no appreciable revenue to the State Exchequer it seriously hampers the free import of raw material from neighbouring countries into India. The maintenance of this state of affairs may have the effect of strangulating an infant industry of great promise a result, which, we feel persuaded, the Government, who have identified themselves with the policy of helping and fostering Indian Industries, will be the first to deplore.

22321. 5. In order therefore that this new industry may have a fair chance of development, and that it may be the pioneer of similar other indigenous industries, it is essential that all restrictions on its growth, such as this import duty on raw materials, should be removed. We make this appeal to the Government with all the more confidence since, as we have shown above, the abolition of this duty will involve no material surrender of revenue.

22322. 6. Our Company which has been launched with purely Indian capital has a large number of shareholders all over India, and, apart from the number of people affected by the success or failure of the concern, the new venture is being keenly watched by capitalists who, in the event of any untoward circumstances, will be deterred from venturing upon new enterprises of a like nature as in fact they have already deterred us from installing other mills in various parts of India as we had originally intended.

22323. 7. Among other grounds on which we base our claim for sympathetic treatment we may mention that our mill has given permanent employment of hundreds of people, and the planting of modern mill of this magnitude on the Malabar Coast has to a large extent helped the development of trade on that side of India.

22324. 8. We therefore pray that the existing Duty on imports of oil-seeds and nuts be abolished. We may point out that another important principle is also involved in this question, because while finished products may be rightly taxed, it is extremely unusual to levy duty on imports and exports of raw materials.

22325. 9. In conclusion, we request that as the matter is very urgent and we shall require large quantities of copra shortly since the Mill is about to resume operations after having been closed for over four months, Government will be pleased to consider this matter early and to communicate to us their decision, which we trust, will be favourable.

Witness No. 139.

Written Statement of Mr. J. C. K. PETERSON, C.I.E., representative of The Tata Iron and Steel Co., Ltd., Bombay, dated the 31st January—2nd February 1922.

General.

22326. The manufacture of iron and steel in this country is an industry which must be treated as a special case. It does not come within the general principles outlined in the questions put by the Commission. We have answered these questions, but we also desire to state the case for the protection of this industry in more general terms.

22327. Iron and steel is the basis of our existing civilization. If a continuous supply of this material is not available, that civilization must inevitably perish. It is the raw material of all industries as without it practically no manufacturing plant could be erected and no efficient means of transport could be devised. These are the two things on which our present civilization rests, increased productive power and increased means of transport. Iron and steel are essential for both. They are also a nation's first line of defence. They enter into the manufacture of all munitions of war. There is no nation that could defend itself for 24 hours, if deprived of all supplies of iron and steel; and even without war, if supplies of the material were entirely cut off from it any nation would be ruined. It is for these reasons that England, America, Germany and France are all great producers of iron and steel within their respective territories; and Japan, although not possessing the same natural advantages, has been forced to obtain concessions of Chinese ore and to develop the manufacture of steel to a very high point.

22328. The last war shewed very plainly that in the future no country can depend on the maintenance of overseas communications in the case of war, or on its accustomed supplies of any material that is required for military operations. When the great war broke out the first commodity to vanish was gold. The second was certainly steel. Every Government imposed restrictions on its sale; every Government prohibited its export. Prices rose to a preposterous level until they were ten and even fifteen times what had been paid before the war. Even the Indian Government itself had to pay these prices for imported steel bought in the open market and could not obtain sufficient supplies.

22329. These conditions will arise again immediately on the outbreak of war between any two powers, even if the Empire of which this country is a unit is not involved in the struggle. If there is war in Europe, we shall get little or no steel except what we make ourselves. We shall have to pay enormous prices for what we do get, and, as a result, our industries and Railways will be starved for want of their most essential raw material. If India itself is engaged in the war, it will find it impossible to defend itself, unless the manufacture of iron and steel has been firmly established in the country.

22330. The statement (A) attached shows clearly the effect of the war on the quantity and value of our imports of iron and steel. In 1910-1919 our imports were nearly ½ those of 1912-1913 and we paid over twice as much for these. The results can be seen by anyone in the condition of our Indian railways and industries to-day.

22331. If we are to safeguard ourselves we must develop the industry in this country without delay. Even if we had no natural resources, we should still have to develop it as Japan has had to do. But we have natural resources that are practically inexhaustible. The deposits of iron ore in India are among the largest in the world, and are of the finest quality—of a much finer quality than those of Europe or America. Good coal and flux lie near them. There is no reason why India should not become one of the largest producing countries in the world, and why it should not rank with America, Germany or England; nor is there any reason why it should not ultimately produce iron and steel as cheaply as it can be produced in any part of the world.

22332. India's present consumption of steel is about 700,000 tons annually; and before the war exceeded one million tons annually. Of this quantity our Works made about 130,000 tons. We could do with much more steel in the country. But in any case, India is not safe, its defence is not secure, its civilization is not sure until it can produce at least the total quantity of steel which it at present consumes for the bare maintenance of its transport and manufactures. To ensure this the industry must in some way be protected or subsidised in order to guard it against foreign competition until it is firmly established. It is at present in its infancy compared with the gigantic factories of America, England, Germany and France. The comparison below of the production of these countries for the year 1919 shews this clearly:—

Countries.	*Production of steel.* Tons.	
United Kingdom . .	50,88,991	Figures taken from "The Iron-monger" Metal Market year Book, 1921.
United States . . .	2,51,01,544	
France	13,87,177	
Belgium . . .	4,11,055	
Germany (January October)	48,15,009	
India . . .	1,34,060	

It is obvious that, if any of these countries seeks to destroy this infant industry in order to secure a new market, it could do so without effort, and the trouble of the world's present system of production and sale is that all the efforts of great producing factories such as those of England, America, Germany and Belgium must tend in that direction. Sentiment or politics have no place and very little effect in business. These countries have also special advantages. By a high tariff against foreign goods America and Germany are enabled to sell at low prices in outside markets, and have always made this a feature of their business methods. The Belgium producers at present enjoy a bounty on all exported steel, and these countries and England also have the very great advantage of a complete and better organized system of transport than India. The comparison of the freight rates (Statement B) attached to this note shews that it costs us more to deliver steel or iron at Bombay, Madras, Karachi, Ceylon or Rangoon than it costs to send steel from the English ports and Antwarp or Breman to these ports.

22333. Apart from these considerations, these countries have also the enormous advantage of a reserve of skilled labour on which they can draw. In India there is no such reserve, though one will be built up in time as the industry becomes gradually established. If a skilled man leaves us or is incapacitated, it takes us 6 months and a large sum of money to replace him. It is impossible to say that the industry in India is established until we have natives of the country who are competent to fill the highest positions in the Works, as in the case of Japan. We are at present still in the pioneer stage. Through this pioneer stage this industry must be protected, if India is ever to have a separate national existence and become an integral and vital part of the Empire both in defence and progress. Other Steel Companies in India are already projected and the internal competition which may be expected from them is a sufficient safeguard against any monopoly.

22334. But to admit that the Industry requires protection does not solve the problem. We have considered the whole question very carefully, and have come to the conclusion that a policy which would give the iron and steel industry protection to the extent of 33·1—3 per cent. over imported material for a period of five years which might be gradually reduced within a period of 15 years to 15 per cent. should make it possible for the industry to stand by itself and should eventually cheapen the cost of this essential material to the whole of India. We realise, however, that until Indian Works are in a position to supply the total requirements of India there will always be some difficulty in imposing so high a tariff, although it is not higher than that which has been imposed by foreign Governments and by the Government of Australia for the protection of the industry. It is for that reason that in our original application to Government we suggested that the assistance required by the industry could best be given in the form of a bonus on production, and we would still prefer that a moderate duty of, say, 15 per cent. should be levied on foreign steel and the balance of the protection required should be afforded by means of a direct bonus on production, the financial assistance required being obtained from the proceeds of the duty suggested. The attached statement (C) shows the effect of such a proposal for the year 1919-20. We also wish to point out that any protection affected to the industry would be valueless unless the duty imposed is also levied on all stores of Railway materials imported by Government for its own use. It is also essential that the protection afforded should be increased proportionately with any rise in exchange as such rise would make the protection valueless.

22335. 43. Yes. The Iron and Steel trade. I am a Director of the firm of Tata Sons, Ltd. who are the Managing Agents of the Tata Iron & Steel Co., Ltd. I have also been authorised by the Steel Company to give evidence as their representative.

22336. 44. The iron ore resources of India are enormous and are readily accessible. The percentage of iron in the ore is exceptionally high, much higher than is usual in Europe or America.

Dolomite, limestone and coking coal in large quantities exist close to the deposits of ore. The coal is not of the highest class but its close proximity to the deposits of ore more than offsets this disadvantage.

22337. 45. Yes. The first part of the question cannot be better answered than by a quotation from the speech, delivered by Lord Chelmsford, late Viceroy of India, when he visited Jamshedpur in January 1919. He said "I can hardly imagine what we should have done during these years if the Tata Company had not been able to give us steel rails which have been provided for us, not only for Mesopotamia but for Egypt, Palestine and East Africa."

From the beginning of the war to the end, the company supplied to the Government about 291,562 tons of steel material in the shape of rails, shell steel and structural material at an average base price of less than Rs. 150 per ton. If this pioneer Steel Works had not existed, this supply would have had to be obtained from the United States, as the English Works were busy with urgent Munition work of their own. The average price at which the Government could have secured their requirements from the States would have been at least Rs. 200 per ton more than what they have paid to this Company, considering the high level of prices obtaining in the States and the exorbitant freight and insurance rates. In other words, the establishment of these works before the war enabled Government to save about six crores of rupees and, what was far more important, to base and East Africa in this country and avoid the dangers of the maritime transport of this essential material through the Mediterranean which was infested by enemy submarines. This strategic advantage far outweighed any saving in money.

22338 46. This industry in India is still in its infancy. It was with very great difficulty and after repeated failures in securing the necessary capital, that in August 1907 the Tata Iron & Steel Company was successfully registered. The construction period itself took between 4 and 5 years, and when the operation began, the utmost difficulty was experienced in manufacturing iron and steel of good quality. Even when the necessary standard was attained, the cost of production was so high that it was impossible to compete with foreign imports. At this time, however, the war intervened and acted as an accidental protection to the Steel Company, all imports having ceased and our Works being mostly employed in supplying steel to Government and, to a limited extent, to the open market. With the cessation of war and the declaration of peace, the position has reverted to what it was before, namely, competition with foreign imports at unusually low prices.

As regards organisation and equipment, though 11 years have passed since operation was started, this industry cannot be said to be on a stable footing, for the important reason that with the exception of the Coke Ovens and Electrical Department, the operation of the Works is still dependent on the skill of the foreigners brought out chiefly from England and America. This great handicap counterbalances to a considerable extent, any advantage we may possess in the relative cheapness of some of our raw materials and unskilled labour. To what extent this handicap of foreign skilled labour affects our operation will be seen from the following quotation from the evidence given by Mr. T. W. Tutwiler, the General Manager of our Works, before the industrial Commission. He said: "When an Indian is substituted for a foreigner, there is a great saving in salary, as the covenanted hands have to be paid much more than the Indians. Over and above salaries, covenanted men are given free passages to and from their homes and salaries while travelling; they are also paid very handsome bonuses when they exceed certain tonnages.

"I am sure where Indians have been substituted for Europeans in these Works, the quality of our products has not suffered."

For various reasons, this process of substituting Indians in place of foreigners at our Works has been extremely slow, because up to now we were occupied with other more important problems. Before the war, all our efforts were chiefly concentrated towards improving the quality of steel we were making, and during the war, the question of supplying the urgent requirements of the Indian Government naturally claimed all our attention, the plant being worked at its utmost capacity. With a view to overcoming this difficulty

of imported labour, our Company has now established, at a very heavy cost, the Jamshedpur Technical Institute, where Indian students with University qualifications, will be taught metallurgical chemistry and metallurgy. It is expected that students undergoing this course, which lasts for 3 years, will be competent to take up responsible positions at the Blast Furnaces, the Steel Furnaces and other operating departments of our Works, so that in course of time, all the manufacturing departments or most of them will be manned by Indian skilled workmen.

22339. 47. Up to the present, most of our own output has been sold in India but we have also exported large quantities of pig iron, both foundry and basic, to Japan. We have also occasionally exported pig iron and steel in small quantities to the West Coast of America, New Zealand, Australia and the East generally. In the near future however the industry in India must look to the markets of the world to absorb its products and there is no reason why a large part of the output of iron, semi-finished steel and steel should not ultimately go to the West Coast of America, Africa, Italy and Europe.

22340. 48. Very intense competition.

India with its low tariff and increasing demand is the dumping ground of the world and distance by sea is no particular protection in this trade.

Our internal Railway tariff in India is in many cases so high that internal business is also difficult against foreign competition with low sea freights. This is shown by the statement attached.

48. Part (2). All goods which are manufactured in India. Naturally the prices of goods not manufactured here are not cut so fine, and we believe that in many cases higher prices are maintained by agreement between the various manufacturers' organisations. This was certainly the case before the war.

22341. 49. In Belgium there is an export bounty of 30 frs. per ton on steel. This and the exchanges are our chief difficulties at present.

In addition foreign countries enjoy a great advantage as a result of the present dislocation of the Indian traffic system which is proving a very serious handicap to the extensions now being made at our own Works and to the development of new Works by others.

22342. 50. Our General answer covers this question. This industry stands apart from all others. In our opinion just so much protection should be assured to it as will enable it to face foreign competition and ultimately to produce the total quantity of this material required by India. In our opinion the least measure of protection required for the next 5 years is 33·1-3 per cent.

22343. 51. Most certainly. Not only so but we have no doubt whatever that the keen internal competition that must result from the existence of the magnificent reserves of iron ore in India will very shortly, once the industry is established on a firm basis, cheapen the cost of steel to Indian consumers below any possible price from foreign countries. When that happens and we estimate that it should happen within 20 years, the protection afforded to the industry may be removed entirely.

22344. 52. If by dumping is meant selling below actual cost price, it is suffering from dumping now. We believe that both English and Continental steel is being sold in this country below cost price. It is certainly being sold below our cost price. We have already suggested the remedy.

22345. 53. Yes. But we also think that the real causes of the present extreme competition are the very great increase in the world's productive capacity resulting from the war and the falling off of the demand owing to the disturbed condition of Russia and Central Europe and depressed trade conditions throughout the world generally.

22346. 54. We have answered this in the last question.

22347. 55. We have answered this in the last question.

22348. 56. No.

22349. 57. This does not concern us.

22350. 58. The finished product is the raw material of industries and is essential to them.

22351. 59. Yes. In our furnaces we use refractory bricks produced by the plants of Messrs. Burn & Co., Andrew Yule & Co., and the Kumardhubi Fireclay and Silica Works. The manufactures of firebricks, silica and magnesite bricks were very greatly developed during the war and this industry to a large extent depends on the maintenance of steel and iron works in India.

22352. 60. We ask for the protection of this one vital key industry on which all others depend. We do not wish to express any opinion as to either the merits or otherwise of protection as opposed to free trade as a general system. But generally speaking, we are opposed to protection except for the definite purpose of encouraging new industries which the country needs, and we would only then favour it as a temporary measure.

22353. 70. We prefer *ad valorem* duties.

In respect to these the provisions of the existing Act are simple. Tariff valuations lose their meaning frequently and 10 per cent. duty can easily become a 20 per cent. duty if the tariff is wrong.

22354. STATEMENT A.

Imports for 1912-13 compared with 1919-20. The figures are given in thousands of tons and thousands of pounds sterling.

IRON—(PIG, ANGLES, BOLTS, BARS, RICE BOWLS.)

	Total imports.	Total value.	Value of Government imports.
1912-13	37	361	26
1919-20	18	573	74

IRON OR STEEL—(Beams, nuts, hoops, nails, rivets, c.i. pipes, screws, sheets, tubes, wire, etc.)

1912-13	547	6,370	150
1919-20	331	13,408	487

STEEL—(Angles, springs, bars, ingots, channels, etc.)

1912-13	158	1,172	58
1919-20	95	3,073	158

RAILWAY MATERIAL.

1912-13	244	1,764	201
1919-20	65	1,358	409

TOTAL		Tons.	Value.	Value of Government imports.
1912-13	986,000	£9,667,000 [Rs. 14,50,05,000	£435,000 Rs. 65,25,000	1-22nd of total.
1919-20	509,000	£18,412,000 Rs. 276,180,000	£1,128,000 Rs. 1,69,20,000	1-16th of total.

22355. STATEMENT B.

Freight on Pig Iron and Steel Materials.

Steamer and Inland Freight.

English Ports to Bombay Rs. 16-14 per ton for pig and steel=against =Tatanagar to Bombay Rs. 15-14 p.t. for pig and steel *plus* surcharge.
English Ports to Madras Rs. 16-14 per ton for pig and steel =against=Tatanagar to Madras Rs. 15-14 p.t. for pig and steel *plus* surcharge.
English Ports to Karachi Rs. 14-16 per ton for pig and steel =against=Tatanagar to Karachi Rs. 45 p.t. pig and steel *plus* surcharge.
English Ports to Ceylon Rs. 16-14 per ton for pig and steel=against=Tatanagar to Ceylon Rs. 18 per ton for pig. (Rly. frt. Rs. 3 *plus* steamer frt. Rs. 15).
English Ports to Rangoon Rs. 16-14 per ton for pig and steel=against=Tatanagar to Rangoon Rs. 23-28 per ton, for pig and steel (Rly. frt. Rs. 3 *plus* steamer frt. Rs. 20-25).
Antwerp to Bombay, Madras, Karachi, Ceylon and Rangoon Rs. 13-4 pig and steel.
Bremen to Bombay, Madras, Karachi, Ceylon and Rangoon Rs. 9 pig and steel.
Japan to Rangoon Rs. 12 for steel=against=Tatanagar to Rangoon Rs. 23-28 per ton for steel.

N.B.—The freight for Bombay will be Rs. 17-8 per ton from 1st April 1922.

All other Railways are going to increase their rates from 1st April 1922.

22356. STATEMENT C.

Statement showing net revenue to Government by imposing a duty of 15 per cent. and giving a direct bounty on production.

1919-20

Base rate of imported steel =Rs. 150.
Suggested duty 15 per cent. as compared with 2½ per cent.
Protection afforded to the industry by duty is therefore, 2½ per cent. and additional protection required 18·33 per cent. or a bounty of Rs. 27·50 a ton.

Total production of steel in India :—		tons.
1919-20		122,227
Total import of iron and steel in India :—	Tons.	value.
1919-20	509,000	£18,412,000
1919-20 12½ per cent. duty		£2,301,500
Bounty on production at Rs. 27·50 :—	Tons.	
1919-20	122,227	= Rs. 33,61,232 = £224,082

Balance of revenue accruing to Government would have been £2,301,500 *minus* £224,082

or £2,077,418
or Rs. 3,11,61,270

Oral evidence Bombay, the 2nd March 1922.

22357. *President.*—*Q.* Do you represent the Tata Iron and Steel Company ?

A. Yes.

22358. *Q.* The iron and steel industry has got a good number of natural advantages ?

A. In India, yes.

22359. *Q.* In spite of these natural advantages you require a protection of 33⅓ per cent.?

A. It has many disadvantages as well as advantages.

22360. *Q.* You want this 33⅓ per cent. protective duty in order to counteract the disadvantages ?

A. Yes, so that it might be a firmly established industry.

22361. *Q.* You base your case on the great necessity of establishing the iron and steel industry in India for defensive purposes ?

A. For all purposes. I think defensive purpose comes first.

22362. *Q.* You have to compete with England, America, Germany and Belgium ?

A. We have to compete with every steel producing country, but these are the principal countries.

22363. *Q.* You say, 'these countries have also special advantages. By a high tariff against foreign goods America and Germany are enabled to sell at low prices in outside markets, and have always made this a feature of their business methods.' Do you contend that these countries are dumping foreign countries ?

A. Yes.

22364. *Q.* That is to say the export prices are lower than the home prices ?

A. I don't know whether I can call it dumping. It is an endeavour to sell in the market outside at a lower price. There is nothing unreasonable in it. We should also do it if we had a chance.

22365. *Q.* You say 'by a high tariff against foreign goods America and Germany are enabled to sell' ?

A. Yes. Their home prices are automatically raised. That is to say they make very good profit in their own country and in other countries they sacrifice a certain amount of profit.

22366. *Q.* That condition prevails in the English market ?

A. As a matter of fact the English export prices are at present lower than the prices for home consumption, but it may be accidental. I do not know whether it is intentional.

22367. *Q.* But that is the fact ?

A. Yes, that is my information.

22368. *Q.* You have referred in your statement in several places to the system of transport in other countries as compared with India. Will you please elaborate that point and the difficulties you have experienced in the matter of transport ?

A. Our trade is principally in important centres like Madras, Calcutta, Bombay, Karachi, Delhi, Cawnpore and so on. These are at very considerable distances from our works and in addition to that there has been a certain amount of dislocation, as I fancy the Commission is aware, in all-India traffic during the last 2 or 3 years. It has not recovered from the effects as quickly as Europe has recovered. In England, I fancy there is

not the same amount of difficulty; the distances are shorter between the ports and the producing centres and the actual freight for carrying the rolling materials is probably less.

22369. *Q.* How does the railway freight charged for the conveyance of your manufactured goods to the ports compare with the sea transport ?

A. The statement I have given will show.

22370. *Q.* I will come to that later on. Your proposal is that an import duty of 33⅓ per cent. should be imposed for the first five years and it should be gradually reduced in a period of 15 years.

A. I think it is possible to gradually reduce it.

22371. *Q.* You know you make a strong case as iron and steel articles are of very great importance for the development of the country.

A. It is of enormous importance.

22372. *Q.* Don't you think that the imposition of such a high rate of tariff and the raising of value would seriously hurt the consumer ?

A. I don't think so.

22373. *Q.* Why ?

A. Because I think unless this industry obtains an advantage of that kind for the next 10 or 15 years, it would probably cease to be able to compete at all, in which case you will not be able to produce iron and steel in this country. Then the foreign countries owing to a desire to manufacture and obtain more profits may raise the price of the articles much beyond the price which you would have to pay if you had your own manufacture in this country.

22374. *Q.* That is the result that is generally brought about by dumping goods, isn't it ?

A. Yes.

22375. *Q.* During the period that you build up your industry the consumer will be penalised ?

A. Undoubtedly during the period.

22376. *Q.* You think the corresponding advantages to the country are sufficiently of importance for the consumer to bear the loss during the temporary period?

A. I would go further in the case of iron and steel, because I do not think we can contemplate the country being left in an absolutely defenceless position in which it would be left if it was handicapped in the manufacture of these materials. It is not a question of price at all. It is a question of safety.

22377. *Q.* You refer to the Indian works being able to supply the total requirements of India. Do you think it is possible to establish iron and steel industry in India of sufficient dimensions ?

A. Certainly.

22378. *Q.* Provided adequate protection is given ?

A. Yes, provided the industry is supported in stages. Some companies are contemplating and some of them are already building which would produce sufficient steel to meet the requirements of India if they were carried through.

22379. *Q.* Your alternative proposal will be to allow 15 per cent. import duty and 15 per cent. bonus ?

A. The bonus comes to about Rs. 25 a ton. If you deduct 15 from the 33⅓ per cent. you get 18⅓ per cent. bonus. Taking the present cost at Rs. 150 per ton the bonus will come to Rs. 27·30 per ton on production. This proposal is made merely for the reason that the consumer may not be penalised too much.

22380. *Q.* You also wish to point out that any protection afforded to the industry would be valueless unless the duty imposed is also levied on all stores or railway materials imported by Government for its own use. You advocate that Government purchasers should also pay duty ?

A. All I want to point out is on the Government stores a greater value of our output goes. The imposition of a duty will have no effect if these stores were continued to be imported free.

22381. *Q.* You point out in answer to question 52 ' We believe that both English and continental steel is being sold in this country below cost price.' Do you mean they are selling at a price lower than that which prevails in their own country ?

A. I mean they are selling below their actual cost.

22382. *Q.* Can you give some detailed information ?

A. The last price that I had for steel rails was £7-2-6. I was told that they could manufacture the rails for £10. Therefore there must be heavy loss. This is the information that I get from week to week. The steel manufacturers in order to carry on their works are content to sell occasionally at a loss.

22383. *Q.* In that case the Indian industry cannot stand competition without some form of protection ?

A. We must have some form of protection if we are to compete at all.

22384. *Q.* If you can satisfy the Commission with information that they sell the articles at a low price, it will be of great assistance to us.

A. I can produce the actual report. We have not got the latest report, but we can produce our own cost of manufacture and we can prepare a comparative statement which will show what the comparative cost would be.

22385. *Q.* I do not expect you to bring any statement now. I merely suggest that if you can put before us any statement to that effect it would greatly assist us in forming our decision. If you can consent to send us we will be obliged.

A. I will have a statement prepared. I think it can be proved.

22386. *Q.* Your statement B giving the steamer and inland freight is a very interesting document. Are these figures fixed or fluctuating ?

A. The freights will fluctuate of course. The railway charges are fixed from time to time.

22387. *Q.* Thus you draw my attention to this ' English ports to Karachi Rs. 14-16 per ton for pig and steel against Tatanagar to Karachi Rs. 45 per ton.

A. This of course is due to very long railway lead; Three times as much to carry by rail than to carry by sea.

22388. *Q.* Three times as much ?

A. Yes.

22389. *Q.* Then again 'English ports to Rangoon Rs. 16-14 per ton for pig and steel against Tatanagar to Rangoon Rs. 23-28 per ton for pig and steel (Rly. frt. Rs. 3 *plus* steamer frt. Rs. 20·25).' Is it due to the coastal trade ?

A. It is probably due to the fact that there is more return cargo from Rangoon in the direction of England than in the direction of Calcutta.

22390. *Q.* Bremen to Bombay, Madras, Karachi, Ceylon and Rangoon Rs. 9 pig and steel.

A. That will be due to the depreciation of the mark.

22391. *Q.* Take another instance, Japan to Rangoon Rs. 12. That is a very long transport whereas Rangoon to Calcutta Rs. 20-25. How do you account for it ?

A. It is much cheaper because of the conveyance of the material by water.

22392. *Q.* The conveyance between Calcutta and Rangoon is also by water ?

A. It is probably due to the fact that there is return cargo in each direction. I do not know what the conditions of trade between Rangoon and Calcutta are. I believe there are not materials for export from Rangoon to Calcutta. The chief business of the liner is to carry passengers. It is not organised on the same scale as the big steamer transport between Japan and India and between Europe and India.

22393. *Q.* With reference to your statement C.

A. This of course may not be correct in view of the new budget. We do not know the actual figures for 1920-21 showing imports.

22394. *Q.* The point I want to ask you is whether the total import of iron and steel in India is 509,000 tons valued at £18, 412,000.

A. This is taken from the customs return.

22395. *Q.* ' 1919-20 12½ per cent. duty is £2,300,000.' I do not know what is meant by that.

A. Suppose you pay 12½ per cent. duty, that will be the return.

22396. *Q.* Then you say, ' balance of revenue accruingto Government would have been £,2,300,000 *minus* £224,000,' which would be, you mean, the bonus payable by your proposal. Does this 509,000 tons of iron and steel represent the total imports or the imports on private account as against Government account ?

A. I do not think there is much of Government material. The customs returns don't distinguish them. Most of the Government materials imported are railway materials which come under a separate head, I think.

22397. *Q.* I merely wanted to know it for purposes of comparison. I think it includes most of the Government stores.

A. Yes, it includes.

22398. *Q.* What will be the effect of the statement by the recent budget proposals ?

A. We have to import machinery and steel from America up to the value of about a crore and a quarter. The total of our output which would be affected by the duty, that is excluding Government stores and Government materials will be about the same amount. So that on the one hand we will get protection amounting to 7½ per cent., on the other we will pay taxes to the extent of 7½ per cent.

22399. *Q.* Your production is larger ?

A. I am deducting the supplies to Government. I am deducting such materials as we supply to the Government. Therefore even in the present year I do not think the duty will produce any effect as far as steel companies are concerned.

22400. *Q.* As regards the written statement of the Tata Oil Mills Company, I find that your complaint is that the raw materials which you require for pressing oils when imported from Ceylon and from outside India is subjected to revenue tariff duty.

A. Yes.

22401. *Q.* You think that in the interests of the development of the Indian industries raw materials should be imported free.

A. In this particular case it would be a simpler method. We export it in another form. None of it remains in the country.

22402. *Q.* What would be your view in regard to a general policy of importing raw materials free, apart from the fact whether you consume it or not ?

A. I should not like to express a general opinion.

22403. *Q.* You base your claim on the principle that you merely are a manufacturing agency in India, you import raw materials and you export manufactured goods and therefore you should get raw materials free ?

A. Crushing oil seeds is not a manufacturing process at all. We export the same thing in a different shape. The value of the copra which comes in is the value of the oil contained in it. The whole of that is re-exported. Nothing remains in this country.

22404. *Q.* You claim exemption on these grounds ?

A. It is the simplest way to treat that case.

22405. *Sir Edgar Holberton.—Q.* A word about your statement B. You say English ports to Bombay Rs. 16-14. Do you make allowance for the conveyance from the works to the port ?

A. Yes.

22406. *Q.* You have included certain railway freights, for instance English ports to Ceylon you say Rs. 16-14.

A. I think an allowance has been made. I think the present freight is about 20*s*.

22407. *Q.* You think that allows for it ?

A. Yes.

22408. *Q.* If the freight to Karachi be Rs. 45 in actual practice you would not send by rail.

A. I would not; but really we are sometimes sending by rail to Karachi.

22409. *Q.* You could send it by sea.

A. We don't send very much.

22410. *Q.* You are quite close to sea.

A. But then we have to handle twice.

22411. *Q.* Through freight from Calcutta to Karachi is Rs. 15 or so.

A. I think that it would be more than that.

22412. *Q.* It is all a question of quantity. When you are talking about these freights from England, you are talking of freights of full cargo.

A. I am talking of quantities of 500 to 1,000 tons.

22413. *Q.* But if you were also to do likewise, the calculation would be quite different.

A. I don't think so. The railways won't give us any reduction on the quantity.

22414. *Q.* The ships will.

A. I doubt very much whether it would be possible to reduce the rates by sending by sea.

22415. *Q.* You can get coal at the present moment from Calcutta to Rangoon at about Rs. 5 whereas you have put down Rs. 23.

A. Until quite recently it did not pay to ship coal from Calcutta to Bombay. It was cheaper to send it by rail.

22416. *Q.* At the moment freight has gone down but you have given here that the freight is Rs. 23 to 28.

A. That is the freight we are quoted.

22417. *Q.* If you ship 1,000 tons, you might get at Rs. 6

A. You might.

22418. *Q.* If you charter a steamer it will be much less

A. I don't think that Rangoon is a very good case. Bombay, Madras and Karachi are better cases.

22419. *Q.* Rangoon is not a bad case.

A. As a matter of fact, we are quoted these rates and it will be very difficult to get cheaper rates.

22420. *Q.* For a small quantity.

A. For the quantity that we ship to Rangoon.

22421. *Q.* In reply to the President, you said that the English people were selling at £7.

A. That was the price quoted to me in London. I had a meeting with the Indian railways in London in December on this question of prices and they told me that.

22422. *Q.* Is it c. i. f. Bombay.

A. Yes.

22423. *Q.* Don't you know that they had no orders ?

A. None at all. The present price is £8-2-6 c. i. f. Bombay.

22424. *Q.* It looks as if your contention is correct. I was rather interested in some of your remarks about labour. At present your supervision is mostly European and American ?

A. Mostly.

22425. *Q.* You want to get rid of them ?

A. We have to get rid of them for the purpose of economy. This imported labour is so very expensive.

22426. *Q.* And does not pay.

A. At the moment it does not pay, and we cannot substitute at present. It increases the cost of production very greatly.

22427. *Q.* If you want to substitute one of these expensive men, you would have to put three or four people.

A. You could not get the work done.

22428. *Q.* It is all a question of education.

A. I believe so. They say in England that it takes two to three generations to make good steel manufacturers. We have not had two to three generations in this country, that is the trouble.

22429. *Q.* It takes time.

A. Some time to get skilled men.

22430. *Q.* You have got a small school in Jamshedpur.

A. A small technical school to train men.

22431. *Q.* With reference to the ordinary question of unskilled labour, do you get all you want ?

A. Unskilled labour we get all that we want but not the skilled labour. Mechanical labour also we get enough. For instance in the blast furnaces, we have already reduced the imported labour.

22432. *Q.* You have.

A. Yes. Most of the blast furnaces are under the charge of Indians. But Steel Furnaces are not so. We find that much more difficult.

22433. *Q.* It is more technical or what ?

A. It is a harder work physically. Physique has got a great deal to do with it. The heat at the furnace is 148 degrees. It is extremely difficult to get people of the right physique for that purpose in this country.

22434. *Q.* But with regard to your mechanical labour, it is all practically Indian.

A. Yes. We employ about 13,000 skilled workmen at Jamshedpur.

22435. *Q.* They are largely Punjabis.

A. They come from all parts of India, from Southern India, from Assam, from Punjab, etc.

22436. *Q.* Where do you get your unskilled labour from ?

A. That comes from the neighbourhood.

22437. *Q.* Do you get as much as you want ?

A. Not always but generally we do. Whenever the agricultural conditions are bad, we get a lot of people coming from Chattisgarh.

22438. *Q.* It is all migratory.

A. Yes.

22439. *Q.* You cannot get people to settle down.

A. We have our skilled artisans.

22440. *Q.* I mean unskilled.

A. That comes from the villages near by.

22441. *Q.* You have not been handicapped.

A. We are in connexion with extensions. In the actual construction work, I mean earth work, we are not short at present.

22442. *Q.* Have you found during the last few years any material increases in wages for the unskilled labour class ?

A. Not to the same extent as for the skilled labour class.

22443. *Q.* Have increased wages given you better results?

A. That is a disputed point. We are told that when they get higher wages, they do less work. They stay away one day.

22444. *Q.* What is your experience ?

A. I don't think that it is satisfactorily proved. We have adopted an experiment of paying them additional bonus, which is additional two days' pay for every man who works for a complete month, and one day's bonus to those who are absent only for one day.

22445. *Q.* That is a better system than the raising of wages all round.

A. Some inducement to stay. It is largely a matter of weather conditions. If they get good rains, they go away.

22446. *Q.* There is no general desire on their part to exchange agricultural life for an industrial one.

A. Yes. They are beginning to settle down on the works. The actual skilled labour is settling down in the works, but these people who are employed largely on temporary work are migratory.

22447. *Q.* The skilled labour is housed in Jamshedpur and it lives there.

A. There is a town containing a population of 50 to 60 thousand people.

22448. *Q.* That is very interesting.

A. All reside in *pucca* houses ; a new city as a result of the Works.

22449. *Q.* These people stay with you?

A. Oh yes, they do. The permanent population according to the census return is 50,000. That includes women and children. I should say that about 15 to 20 thousand people are permanently connected with the Works.

22450. *Q.* Do you think that the present budget rate is going to help you ?

A. It won't.

22451. *Q.* With reference to the Tata Oil Mills, what percentage of your copra is imported ?

A. We have not imported any. The duty makes it impossible.

22452. *Q.* Your trouble is that you are really debarred from importing by the duty.

A. When we could not get supplies from Malabar, Ceylon and Straits Settlements occurred to me and I made enquiries as to the possibility of bringing in copra from those places. But a duty is levied on this product which is classed as fruit and that made the import of the stuff prohibitive. In addition to the price which would have to be paid in Singapore, we would have to handle the goods twice and with the duty in addition it would be impossible.

22453. *Q.* You are short of stuff.

A. That is the difficulty.

22453A. *Q.* You would like to buy imported articles but you are prevented by protection.

A. Practically that is what it comes to. Copra whether protected or not, does not stay in the country. It simply passes out. There is no reason why the copra should not come free. When we made a reference to the Government of India, they referred us to the Indian Fiscal Commission.

22454. *Q.* Practically the whole of your output is exported.

A. We would export far more than what is represented by the imports. A great deal of our product is also likely to be consumed in the country.

22455. *Q.* The duty on copra is 11 per cent.

A. The duty is based on the fictitious price.

22456. *Q. Ad valorem*, specific or what ?

A. It is based on a tariff value which has been fixed at Rs. 540 per ton. The price of copra is perhaps nothing like that.

22457. *Q.* That is entirely a fictitious price.

A. Yes. The present price of Malabar copra is Rs. 325 but the duty is really equivalent to 18 to 19 per cent.

22458. *Q.* You would like something in the way of a specific duty to be remitted in relation to the amount you export ?

A. I do not see why a duty should be charged at all.

22459. *Q.* They could give you rebate on your tonnage exported.

A. It could also be worked that way.

22460. *Mr. Narottam Morarji.—Q.* We were told by one of the witnesses in his written evidence that we could not make in India high speed steel. Is this correct ?

A. Perfectly possible. There will be no difficulty. I think that the point raised was whether the quality of Indian coal was good. As a matter of fact, most of the steel is made in electric furnaces. The coal is only used for producing power or gas.

22461. *Q.* You can make spinning machinery.

A. Yes.

22462. *Q.* For what purpose do you require sulphuric acid ?

A. A large quantity of sulphuric acid is used in the manufacture of sulphate of ammonia. At present we are endeavouring to make out a scheme for the manufacture of galvanized sheets and tinplates, for which also sulphuric acid is required. Raw sulphur being absolutely essential for the manufacture of sulphuric acid should not be subject to such a high rate of import duty.

22463. *Q.* What is the duty on sulphur ?

A. A representation has already been made to the Government. The present duty is 11 per cent. on a tariff value of Rs. 155. The price may come down to Rs. 115 in which case the duty would be 19 per cent.

22464. *Q.* That would add to your cost.

A. Yes.

22465. *Mr. Mant.—Q.* Under what head in the tariff schedule is this given ?

A. I do not know.

22466. *Mr. Narottam Morarji.—Q.* What modifications would you suggest in this duty ?

A. The chemical manufacturers have already submitted a representation on that point.

22467. *Q.* Before the war, had you not Germans on your staff ?

A. Most of our superior labour were Germans before the war.

22468. *Q.* When they were interned did you not replace them by Indians ?

A. To a certain extent, yes.

22469. *Q.* You are quite satisfied with Indians.

A. Two of our Superintendents are Indians now.

22470. *Q.* Did they get their training in Jamshedpur ?

A. Partly in Jamshedpur and partly in America.

22471. *Q.* You are quite satisfied with them.

A. Yes.

22472. *Q.* Does not the exchange make a difference in the cost of imported articles ?

A. Yes, it is essential that any protection that is afforded should be increased as exchange rises or falls because if exchange goes up, the protection ceases to exist.

22473. *Sir Montagu Webb.—Q.* I notice in your reply to Question No. 60 that like many other manufacturing concerns in Calcutta which we examined, you are in favour of free trade speaking generally but protection for your industry.

A. No. What I have said there is that generally speaking we are opposed to protection. We have to pay a high duty on silver. There is no possibility of making silver in this country. That merely is a handicap on the use of silver generally in India. In the same way we have a duty on electric machinery. At present there is no chance of making it in this country.

22474. *Q.* We have heard the same line of argument before from different manufacturing concerns which press that more or less the raw material which they require should be admitted either free or on the lowest possible tariff to enable their manufactures to be established.

A. I want to make a distinction. I have mentioned only those materials that could be manufactured in this country.

22475. *Q.* Well then, in respect of all material which cannot be manufactured in this country, you are in favour of free trade or as low a tariff as possible.

A. I don't say that the tariff produces any particular effect. If it is required for revenue purposes, I presume it would be imposed. Otherwise they should come in free.

22476. *Q.* If I understand your written statement correctly, you are asking for an import duty of 33⅓ per cent. on steel and with regard to iron, you make no demand at all. Is that correct ?

A. What we have proposed is a duty on steel.

22477. *Q.* I notice that you do not ask for any protection with regard to iron. As a matter of fact we were told by the Metallurgical Association in Calcutta that no duty was required on iron. I think that we were told so by the representative of the Tata Iron and Steel Co.

A. I don't think that you examined any representative of our Company in Calcutta.

22478. *Q.* Not as such but the Secretary to the Metallurgical Association, Mr. Sawday, who, in reply to Mr. Coyajee said that no import duty on pig iron was necessary. I have an entry in my notes to that effect. I understood from what he said that he was also a representative of the Tatas.

A. I don't think that a duty is required on iron at present.

22479. *Q.* That is exactly what I wanted to know. It is only steel that requires protection.

A. Yes.

22480. *Q.* In your preliminary statement at the top of page 2 you say that this industry must be protected still. Would you explain exactly why steel needs protection and iron does not need.

A. In the case of steel, the process is very much more technical; also it requires very much more capital.

22481. *Q.* More capital ! That in itself is not a reason for imposing tariff.

A. It requires much more imported machinery. The expenditure on importing machinery is very considerable. The manufacture of steel is a much more difficult process than the manufacture of iron. Manufacturing of iron has always existed in this country. It was fairly successful for many years, before the manufacture of steel was ever contemplated. The manufacture of steel of good quality is an extremely difficult process.

22482. *Q.* Supposing that is a reason for putting up a duty, would you tell the Commission what exactly the difficulty is that makes it necessary to have protection ?

A. If you assess the difficulty, it means expense in manufacture.

22483. *Q.* What is the difficulty ?

A. In the first place manufacture of steel has never been tried before. There are climatic conditions; the condition of Indian coal; carriage of coolies to and from our works; the difficulty of bringing in imported skilled labour. These are the difficulties which the steel industry has to meet with in this country.

22484. *Q.* Do not these apply to iron ?

A. Nothing like to the same extent.

22485. *Q.* It is the technical difficulty of manufacturing steel.

A. The process is a simple enough one. The actual difficulty is organisation. If a mistake is made in the steel furnace, you might damage not only the finish but the whole product is wasted.

22486. *Q.* The impression left in my mind is the technical difficulty for which you want temporary protection to enable you to overcome.

A. I should say that the main difficulty in this country is the question of imported labour.

22487. *Q.* What is that ?

A. High overhead charge due to the high cost of imported labour.

22488. *Q.* That is something new to me. What kind of labour ?

A. Highly skilled technical labour, smelters, rollers, finishers.

22489 *Q.* And that is the difficulty which you anticipate you would be able to overcome if you have a few years' knowledge to work at it.

A. I should not say a few years. I should say 15, at the least before we can be perfectly certain of being able to do without imported labour.

22490. *Q.* I should like to know very much whether this difficulty is increased in any way by climatic conditions. Why I ask is that I have seen a steel furnace at home in the month of December; bitterly cold rain falling down, fogs, filthy climate, and I can understand workmen standing in front of the steel furnace with a certain amount of pleasure. None of these climatic conditions you find here. Precisely the reverse. The men standing before the furnace would be very glad to go outside. Is there anything in that ?

A. There is no real climatic condition against it.

22491. *Q.* You don't think that the climatic conditions of the United Kingdom are an encouragement to steel manufacture and those of this country a discouragement.

A. I don't think so. Steel is manufactured in places of very much the same climatic conditions as at Jamshedpur. In southern parts of America, the climate is as hot as it is here. It does not interfere with the steel works. Where you find coal and iron ore together with suitable flux even in the middle of the tropics you would still make it.

22492. *Q.* You don't think that the climatic condition has any effect at all ?

A. I don't think that it has the slightest effect. As a matter of fact, the works themselves, with the exception of furnaces which have to be watched by two or three men, are probably cooler than any other factory. There are big open sheds.

22493. *Q.* Then your request is for 33⅓ per cent. import duty on steel for a period of 15 or 20 years to enable you to train up the technical labour.

A. That is the gist of my arguments at all.

22494. *Q.* I want to get it very carefully because it is a big demand.

A. In the first place this was our request. I was merely pointing out certain facts. It would practically be impossible we think to establish this industry satisfactorily in this country if the big foreign steel producing factories are allowed to compete freely in India. At present the world's productive capacity has enormously increased. In America, England and Germany, they are extending their factories and naturally seek an outlet. In steel manufacture the bigger the plant the less is the cost and that is why we are extending very much. The foreign factories owing to their size can make steel cheaper than we can at present. They will put steel in the market at as low a price as possible, and it will not be possible for us to compete with them. If we compete with them we shall be working at a loss. If that condition is allowed to exist the ultimate effect would be that it will not be possible to make steel in this country. If that happens we want to point out that the country becomes practically indefensible from a military point of view and will remain in that condition. Or, I would like to put it this way: that in case of internal trouble in England or America, or in case of a break down in the transport, you will find a condition of affairs that very nearly happened during the war.

22495. *Q.* What are the other reasons which enable England and America to make steel cheaper ? I want to get exactly at the economic argument. You say they have bigger works and more efficient labour.

A. They have better coal; they have the advantage in many cases, so far as the Indian market is concerned, of water transport as against railway transport; and they also have the advantage that they can quote lower prices for their foreign exports than they need to in their own home market.

22496. *Q.* Owing to their tariff conditions ?

A. Not necessarily owing to their tariff conditions, it may be owing to their larger production. I have the actual rates of English prices and export prices. Steel is coming here £1-10-0 cheaper than it can be had at home. That is one of the chief factors of the economic problem.

22497. *Q.* Do you call that dumping ?

A. You may call it what you like. Do you mean by dumping selling below the cost of production ?

22498. *Q.* I am asking you that because the problem of dumping is one of the problems which we are asked to report upon.

A. I am afraid I cannot give you a definition of dumping.

22499. *Mr. J. C. Coyajee.*—*Q.* Dumping means selling below cost price.

A. They are selling below cost price at present.

22500. *Sir Montagu Webb.*—*Q.* Do you mean they are selling below your cost price ?

A. Below their cost price . . If they are selling below their cost price, they are certainly selling below ours.

22501. *Q.* Of all the factors which I have taken, you cannot hope to overcome the inferior quality of the Indian coal, nor can you hope to overcome the advantages of cheap water transport. But by the aid of the tariff you may overcome the dangers of dumping, you may be given time to enlarge your works and you may be given time to train up your skilled labour.

A. That is really our argument.

22502. *Q.* And you are of opinion that after a period of years you might not require any protection on account of the labour side of the problem or on account of the larger works, because your works would be big enough to produce steel at a low economic cost.

A. I would go still further and say that after 15 or 20 years, India can make iron and steel cheaper than any country in the world. The internal competition would be so keen that the price of steel would be reduced in India below any price at which it can be made anywhere else.

22503. *Q.* I want to understand exactly why you think it will be produced cheaper.

A. Because of the quality of our iron ore. In England in various works they work ore containing 20 to 25 per cent. of iron. Our ore averages 59 or 60 per cent. and we have enormous quantities of such ore in this country. Some of the English ores contain 22 per cent. of iron.

22504. *Q.* And the best ?

A. The best is about 45 per cent. That figure I would not be certain of. I am certain of the other.

22505. *Q.* Because of the superior quality of the Indian ore India can manufacture iron and steel cheaper than any part of the world.

A. Yes. I believe this country would become a large exporting country.

22506. *Q.* That is very interesting. Just one more point I would like to ask you. In answer to question no. 48 you say : " Our internal railway tariff in India is in many cases so high that internal business is also difficult against foreign competition with low sea freights." When you say that the Indian railway tariff is high, do you mean it is high compared with railway tariffs in other parts of the world, or do you mean it is high in comparison with water carriage ?

A. In comparison with water carriage partly, and partly the internal tariff is high in comparison with the freights to and from the ports which are always lower

22507. *Q.* That is merely due to the general railway conditions. It costs more per mile for a short lead than for a long lead. There is nothing peculiar in India?

A. No.

22508. *Q.* There is nothing peculiar in water carriage being cheaper than railway transport. I want to get at what you mean by that criticism, *viz.*, that internal railway tariff is high.

A. I mean nothing particular. Take the case of Bombay. The freight we have to pay from Tatanagar is so high as compared with the sea freight from Europe that we cannot compete. I am not criticising the rates.

22509. *Q.* That is what I exactly want to get at, because if the Indian railway rate is a high one there will be good reason for demanding a lower rate.

A. On the contrary they find it difficult to work : they have to increase it I think.

22510. *Q.* That is all that I desire to argue in regard to steel. In looking up the question of *copra* I see it is liable to a 15 per cent. duty?

A. Yes, it has been increased recently.

22511. *Q.* And you ask that it might be regarded as a raw product and imported free of duty?

A. Yes.

22512. *Q.* That seems quite reasonable.

A. (No answer).

22513. *Mr. J. C. Coyajee: Q.* I want to learn a little more from you about the equipment of India for becoming a steel manufacturing country. You say the quality of our iron ore is superior?

A. Yes.

22514. *Q.* Are there many sources of iron ore in India in useful contiguity to coal?

A. At present the main body of iron ore lies along the south of the Singhbhum district. There is a large bed of iron ore there. Iron may be found at any time anywhere else.

22515. *Q.* And the coal supply?

A. The coal supply is from the Bengal field. We know that iron ore exists in the Central Provinces, but we do not know how far coal exists in the same direction, but at any time coal may be found even there and that would enable the iron ore in the Central Provinces to be worked.

22516. *Q.* A Geological survey has been made in those districts, I suppose.

A. The Geological Department have not found coal.

22517. *Q.* When looking to the present sources of supply of our iron ore in contiguity to coal, do you think you could multiply our production by 10 under suitable conditions?

A. Our own production or the production of the whole of India?

22518. *Q.* Of the whole of India.

A. I should think 10 is a modest figure.

22519. *Q.* Now, it has been asserted before this Commission that the coking coal which we get in India is inferior in quality.

A. Indian coal contains a higher percentage of ash, and a great deal of it is non-coking coal, but there is a good class of coking coal for the development of the steel industry.

22520. *Q.* Then it has also been asserted that as regard flux and lime stone, you even now have got to go to inferior sources than when you started. Is that so?

A. No.

22521. *Q.* Do you experience any difficulty about the adequacy or regularity of your coal supply?

A. The difficulty at present is with the railways. The lime field and the coal field are now connected by a single track. They are now doubling that line. The railway transport situation, I think, is very serious, and unless it greatly improves in the next two or three years the effect will be serious when the new works come into operation.

22522. *Q.* But permit me to make one observation on that, that if a heavy duty is put on, the price of steel might rise and the railway situation may become worse.

A. Not in that particular railway. We shall not be affected by that.

22523. *Q.* You do not agree that a 15 per cent. duty will meet the situation in India?

A. The actual saving to India under my scheme for the establishment of steel works can be demonstrated from last year. Last year if the Indian railways had purchased their requirements in the open market, they would have paid £250,000 more; and if the Government of India had purchased in the open market they would have paid £200,000 more. That is a saving practically to the Indian tax-payer of nearly half a million on the purchase of rails.

22524. *Q.* As regards the manganese required for steel manufacture, you have not the opportunity of mixing it with the manganese abroad?

A. A great deal of manganese is exported from India.

22525. *Q.* Do you use mainly Indian manganese? Mixed manganese might be better.

A. We are not making much ferro-manganese at present.

22526. *Mr. T. V. Seshagiri Iyer: Q.* You said that in foreign countries individual companies were at an advantage because each plant was larger. Are you in a position under a suitable protection, to enlarge the size of your plant?

A. That would be enlarged.

22527. *Q.* You argued that a good deal of dumping is going on from continental countries. One proof you gave of the existence of dumping was that certain English manufacturers had asserted that they could not manufacture as cheaply as continental manufacturers.

A. I did not say that. They were making a particular product—£10 plates—at a loss. They might be making profits in some other products.

22528. *Q.* On this question of dumping, Mr. Peterson, I take it that the last two years were abnormal : there was greater output of steel in England and other places and they were unable to sell them.

A. Last year this country was protected artificially by the high freight.

22529. *Q.* For some years there was no facility for the transhipment of goods and consequently after the cessation of war there is a natural tendency to import more. That may account for the way in which they are dumping the goods into the market. Is it likely to be a permanent feature?

A. As conditions improve in England and America the production of steel in those countries will go up and will exceed the demand and they will naturally seek any outlet they can get. Therefore, dumping will probably increase. There is at present very keen competition going on in European markets between the English and the continental manufacturers and they are cutting prices against each other.

22530. *Q.* As a result of it there will be over-production?

A. I think there will be over-production, and a certain amount will come out to this country.

22531. *Q.* There is necessity, therefore, for some attempt being made to prevent this dumping?

A. That is the representation we made to the Government last September.

22532. *Q.* Have you tried the hereditary craftsmen in your workshops?

A. We have a lot of labour in Jamshedpur. We have practically all classes and people from every part of the country.

22533. *Q.* Do the hereditary people get trained more easily than the other classes?

A. Not appreciably.

22534. *Q.* In their case certainly there is no question of climatic difficulty: they have been accustomed to this sort of work in hot furnaces.

A. The charcoal furnace which he usually has is quite a different thing from ours.

22535. *Q.* The hereditary smiths are not better than the ordinary men?

A. I could not express an opinion on the matter. We have not investigated individually. I think they would make good casts, but they would not do better in blasts and steel furnaces.

22536. *Q.* You said that you would prefer a 15 per cent. bounty and a 15 per cent. duty instead of a 33⅓ per cent. duty. The bounty actually means that it comes out of the general tax-payer. Therefore, the Indian tax-payer would be willing to have a 33⅓ per cent. duty instead of a 15 per cent. duty and a 15 per cent. bounty.

A. I think the general tax-payer would be willing to pay only 15 per cent. duty. In making that proposal we are considering the effect a high import duty might have on the country generally. We think that steel is essential and as such steel should be brought to the country and the duty should be kept as low as possible.

22537. *Q.* The point is that the people who have to use steel are less in number than the number of tax-payers. Under those circumstances, would it not be better that the persons who want this particular material should be made to pay rather than the general tax-payer?

A. Personally I do not think so.

22538. *Q.* Would you rather like the general tax-payer to pay?

A. As I said, this is really a question of national security and national defence, and I think the general tax-payer might very well be expected to pay.

22539. *Q.* There was one witness from Madras,—I think it was P. Orr & Sons—who said that the Government of the country were treating them in a step-motherly fashion. They do not give them sufficient time to make their tenders as regards iron goods and they do not always indent upon Indian markets, but go to European markets notwithstanding the fact that it is dearer to buy in the European markets than in the Indian markets. I do not know whether your company has had similar experience.

A. We are not going to make that statement. Orders were passed several years ago that if possible Indian steel should be purchased in preference to English steel by all Government purchasers. We, as a matter of fact, do supply the Imperial Government, we supply the Local Governments and we supply all the railways.

22540. *Q.* On this question of copra I come from a country where there is a large amount of copra. You say that in Malabar you cannot find enough for the work you have started in Ernakulam. I beileve you have tried Trichinopoly and Tanjore, where we have a large quantity of copra.

A. We have tried the whole of the Malabar coast. Copra is not a commodity that can be carried long distances by rail.

22541. *Q.* From Trichinopoly the distance is 400 miles.

A. The railway freight on that will make it prohibitive.

22542. *Q.* You cannot get copra by sea from Trichinopoly. In portions of Tanjore perhaps you can get a sea port. I was only asking you whether you have made enquiries everywhere.

A. We have made enquiries everywhere. I think the exports from India have been falling.

22543. *Q.* You suggest in one of the places that you would like to have a duty upon the export of copra.

A. I have not suggested that any export duty should be put on anything.

22544. *Q.* You suggest that you would like to have the import duty abolished?

A. Yes: in the case of copra.

22545. *Q.* If you do not get enough copra, could not your mill crush other oil seeds?

A. Any oil mill can crush any oil seed.

22546. *Q.* Then, why don't you go in for groundnuts? There is a large quantity of groundnuts in South Arcot, which is at present exported out of India. You will find sufficient employment if you take that kind of work.

A. That is a question of price. It depends on which oil is in demand at the time.

22547. *Mr. Rhodes:* *Q.* First about the national defence question. We have been told by economists and others that it is necessary to support industries that are of national importance. It seems to me that of such industries in India the one you are representing is the most important.

A. That is my own view.

22548. *Q.* You have given certain figures showing what happened in the war and what would have happened if the Tata Works had not existed.

A. Yes.

22549. *Q.* I have gone through those figures, and I am trying to form some idea of the premium we are paying for our insurance. Under your proposal of half bounty and half duty, I gather the cost to the consumer would be 2½ crores per annum.

A. Yes.

22550. *Q.* It includes also iron?

A. It is impossible to say what is wrought iron and what is steel. The Customs do not separate iron and steel.

22551. *Q.* You told us that if the Tata Works had not existed the Government would have paid nearly 6 crores more for purchasing from America. Under your scheme of insurance, therefore, assuming a five years' war in a quarter of a century, it would cost the consumer 69 crores to save six crores. That is rather a very big premium! I am asking you whether it is not as a matter of fact an insurance premium.

A. The surplus leaves a large revenue for the Government.

22552. *Q.* I am looking from the consumers' point of view.

A. The consumer gets a remission of taxation. It is hardly fair to charge the whole of the £2½ millions as a bounty to the steel companies.

22553. *Q.* Steel is manufactured in the country at a higher price and thereby the national dividend suffers. We should pay less if we import pig iron and steel from abroad.

A. I don't think so. The price of steel would very rapidly go against you.

22554. *Q.* If we purchase the 150 crores of railway material during the next five years, on the basis of your proposals that would be a disadvantage to the country.

A. Which 150 crores?

22555. *Q.* The 150 crores which we hope will be given for railway budget for the next five years.

A. Most of the materials that we purchase should be released within the next five years. We are under a contract. The contract would be independent of any duty.

22556. *Q.* How is protection going to help you if you have got two or three bad contracts? You will have to run those contracts first.

A. The contracts do not cover the whole of our output. It will be an insignificant part when our works are extended. The full output would be increased to about 430,000 tons in three years.

22557. *Q.* Your extensions are well in progress?

A. The extensions are practically completed.

22558. *Q.* Have you made any definite calculations on which you base your assertion that you think the present price of your manufactured steel would be reduced to Rs. 100?

A. The costs are going down.

22559. *Q.* In answer to the Chairman, you said that it would be possible to remove the duty later on.

A. I think it would be possible.

22560. *Q.* The question really is whether you would be able to produce as cheaply as anybody else.

A. The cost of steel depends so much on the cost of other materials; it depends on the cost of transport, on the cost of coal and so on. It is therefore impossible to forecast now what the actual cost would be 15 years hence. But the disadvantage under which we now suffer as compared with England, Germany or America will in any opinion disappear within 15 or 20 years. The advantage will be on our side. That is what I mean. I do not say the price 15 years hence will be lower; it may be much higher. But we should be able to produce comparatively cheaper than they would. We have made calculation to that effect. When our works are fully extended and when labour is trained we can make them cheaper. Our present trouble is about the high cost of imported labour.

22561. *Q.* Can you give us an idea of what this imported labour costs?

A. I can give you a rough idea of what we pay the foremen class.....

22562. *Q.* I want to know what it costs per ton of steel, that is what percentage of a ton of steel is spent on imported labour.

A. It is very difficult to give because each production is carried forward into the next article.

22563. *Q.* Under the tariff wall is it likely that you will go to dumping into other markets?

A. No. Our production would not exceed one half of the Indian demand. At the end of 15 years, the Indian demand will be over one million tons.

22564. *Q.* I gather that railway rates are of great disadvantage to you. But you do not recommend the railways to give you assistance by carrying your goods at a loss.

A. We have special terms for certain railways; thus we have got special terms with the B. N. Railway for carrying our materials.

22565. *Q.* It is a bargain to them to help the establishment of your industry.

A. Yes.

22566. *Q.* The concessions are not given to you in the ordinary business transaction?

A. We guarantee so many tons and they guarantee special rates.

22567. *Q.* Has anything transpired in the last few years in the industry that has caused you to ask for protection? When you first started the industry it was under free trade and there was no hope of protection.

A. No.

22568. *Q.* What is the cause of your change in attitude?

A. I don't know what the considerations were that led the people to subscribe to the capital of the company originally in 1908 or 1909. The present position is this. During the war the manufacture of iron and steel in every country was increased at the express request of the various governments. The demand has now fallen enormously. Therefore the manufacturers will try to find an outlet for their production.

22569. *Q.* Is it a temporary result of the war or is it likely to be permanent?

A. I think it will be permanent; by permanent I mean five years. I have therefore suggested a duty for five years. It may gradually be reduced thereafter and at the end of fifteen years it may be taken off. We think that should be ample.

22570. *Q.* I think it is not likely to be permanent. It is just a temporary result of the war.

A. I think it will continue for a considerable period.

22571. *Q.* As regards copra, are there other mills at present established?

A. There are many local mills, but they do not work continuously and their output is very small.

22572. *Q.* Is your factory established?

A. Yes.

22573. *Q.* But not working?

A. Yes, it has been working.

22574. *Q.* Your contention is that a very large capital is now being held up lying idle for practically a small amount of duty?

A. The duty is infinitisimal to organisation. There is also the difficulty about the carriage of copra and that is the difficulty of obtaining frieght. It is extremely difficult to get boats to carry copra from Singapore. They prefer to carry direct to England.

22575. *Mr. Mant: Q.* Mr. Rhodes asked you why your company which started the manufacture of iron and steel under free trade now ask for protection. You said that the situation has changed which makes protection now necessary for a time. You say that certain other companies are projected. Presumably they have been projected under the present conditions.

A. They had originally contemplated to manufacture iron and steel two or three years ago. But I do not know whether they are going forward with their programme or not.

22576. *Q.* What I want to know is, why if the prospects are so gloomy, these other companies intend starting the works.

A. I do not think they are. I have no information.

22577. *Q.* You refer in your written statements, and it was also referred to in Calcutta—to the bounty given by Belgium on the export of steel. Do you know of an Act passed some years ago to enable Government to impose a countervailing duty in such cases?

A. I know a recent Act of that nature, but I do not think it is generally used.

22578. *Q.* It was used for imposing sugar duties.

A. It would be extremely difficult to apply any Act of that kind in the case of steel and iron.

22579. *Q.* Is the competition from Belgium sufficiently serious to warrant a special countervailing duty?

A. A great deal of steel was coming into India. But I do not know whether it was Belgium steel or German steel. We do not know also whether bounty had been actually paid on the steel that came to India. We could get no information.

22580. *Q.* As regards the question of railway freights you recognise that sea freight is naturally cheaper than railway freights. Do you want protection to counteract that disadvantage?

A. No. I only want that I should be able to compete with the imported iron and steel in the Karachi market.

22581. *Q.* You think you should be given the benefit of a protective duty or a bounty from Government to enable you to complete with these?

A. Or special concessions in railway rates.

22582. *Q.* You point out that steel is a key industry and urge protection on that account.

A. Yes, it is the basis of a large number of industries.

22583. *Q.* Any increase in the cost of steel due to protection causes a corresponding increase in the cost of other industries. Is it not so?

A. Yes, in so far as they directly use steel. In so far as they depend on other by-products it need not necessarily increase the cost.

22584. *Q.* In the case of the main product? Take machinery which naturally you want to encourage the manufacture of in this country. If you put any duty on steel, you will have to put at least as high a duty on machinery.

A. I do not think that necessarily follows. It depends on the class of machinery you mean. You take it as an axiom that by putting a duty on steel you put a similar duty on machinery.

22585. *Q.* I ask you whether it is not a valid argument.

A. I do not think so. In some cases you may put a higher duty, in some cases less. It all depends on the amount of steel contained in the machinery. It depends upon whether it is possible to make that particular class of steel in this country. Take the case of steel plates; it is not manufactured in India. I think it would be unfair to impose higher duty on the steel

plates simply because a duty has been put on steel generally.

22586. *Q.* In the case of any machinery which it may be possible to manufacture in this country, you would have to put a higher duty?

A. If you are anxious to encourage the manufacture of that particular machinery, it may be necessary to put a higher duty than on steel generally.

22587. *Q.* Putting a duty on steel will practically necessitate the putting of a duty on any machinery that is manufactured in this country?

A. I do not think so.

22588. *Q.* Because it will increase the cost of the steel which is the raw material for the machinery. Speaking broadly, if you put a protective duty on raw materials it will surely increase the cost.

A. Yes, you must increase the cost. If you impose a protective duty on anything, you must increase the prices in all directions in which the material is used.

22589. *Q.* I am just following the result of putting a protective duty on a basic industry like steel and I say that its effect will be felt right through the dependent industries.

A. I do not think that the effect will be felt to a greater extent than the steel contained in the material you think of. That is to say, if part of the machine is of wood and part of steel, the cost of the machine would be increased by the amount of duty reckoned on the quantity of steel contained in it, but not the price of the machinery as a whole.

22590. *Q.* Quite so. In so far as the cost of steel affects the industry, it would give *primâ facie* a good claim to protection.

A. Yes.

22591. *Q.* I understand that was in your mind when you suggested a bounty as an alternative form of assistance.

A. That is one of the main reasons.

22592. *Q.* I do not know how you arrived at the figures?

A. The figures were taken from the Customs Revenue for 1920-21.

22593. *Q.* The rate of bounty?

A. That was merely a mathematical calculation. I take 33⅓ per cent. as the proposed protection. I suggest a duty of 15 per cent. The remainder, that is, 18·33 per cent. is the bounty. If you take the price at Rs. 150 the bounty will be about Rs. 27·50. That is how you arrive at the figure.

22594. *Q.* The bounty will be Rs. 27·50 per ton.

A. Yes, assuming that the price is Rs. 150.

22595. *Q.* Then the figure would require modification in view of the budget.

A. Yes.

22596. *Q.* Would it meet dumping, that is, selling at less than the cost price, if the duty was levied in the form of a specific duty or tariff valuation.

A. The difficulty of tariff valuation is that it is so frequently inaccurate; it is not what it is represented to be.

22597. *Q.* If a foreign firm came in with a very low offer, a dumping offer, it would pay a higher duty if it was specific instead of *ad valorem*.

A. I think probably not. The *ad valorem* duty would be higher. Because, I do not know the present *ad valorem* duty, but it is probably considerably high for the price of steel that is imported.

22598. *Q.* I think it is 10 per cent. *ad valorem* in the new budget.

22599. *Mr. Mant (contd)*: Will a tariff valuation be better than a pure *ad valorem* duty?

A. There seems to be tariff valuation on most of the steel and this one at present is pretty high.

22600. *Q.* Is it your advantage to have any alteration?

A. There is no particular advantage in it.

22601. *Q.* There is only one more question I have to ask you and that is about the copra business. Can you tell me under what sort of conditions copra is produced in Malabar? Are there large plantation?

A. I think that they are chiefly small holdings. It passes three to four hands before it comes into the market. The grower of the nuts probably sells them. The nuts are husked, the copra is dried and sorted.

22602. *Q.* Did you miscalculate the supplies available when you put up a factory there?

A. I don't think so. The present situation of the copra supply on the West Coast is very curious. It is extremely difficult to see what has happened to it. The export from India has fallen enormously. The copra is not apparently coming to the business. It is being sold by the growers in the form of nuts. I believe that a great deal more is eaten now than previously.

22603. *Q.* Then you would describe it as an agricultural product.

A. Yes. It requires a great deal of cultivation, manuring and it has to be properly looked after.

22604. *Q.* The growers are able to keep up the prices because of the import duty.

A. I don't think so.

22605. *Q.* It seems to me that the import duty really acts as a protective duty to the agriculturists. This is one of the few instances in India where it is effective in regard to agricultural produce.

A. I doubt that because there does not seem to be any market and the demand seems to fall.

22606. *Q.* You provide the demand and you cannot get the supply.

A. The material is not coming. Probably they think that the price is too low.

22607. *Q.* If you bring in foreign products free of duty, you will compete against the local products.

A. To a certain extent.

22608. *Q.* That would reduce the profits of the copra growers.

A. Yes.

22609. *Q.* That seems to be the main difficulty about the proposal you have put forward.

A. It must affect the price of copra. We hope that it would.

22610. *Mr. Jamnadas Dwarkadas: Q.* As your examination has been exhaustive I want to ask you a few questions only. How many steel works are there in India?

A. Only one.

22611. *Q.* Yours is the only one.

A. Yes.

22612. *Q.* Other works are only producing iron.

A. Yes.

22613. *Q.* Do not the Bengal iron works make steel?

A. No. They have not started making steel yet. Whether they propose to make steel or not, I cannot tell you. The Bengal Iron Works make only iron.

22614. *Q.* Yours is the only company which is producing steel.

A. Yes.

22615. *Q.* Those projected new concerns were started during the war time and on account of the gloomy conditions, they have dropped the idea.

A. I cannot tell you. I cannot say whether they are going ahead or not.

22616. *Q.* You refer to that in your note. You say "Other steel companies in India are already projected and the internal competition which may be expected from them is a sufficient safeguard against any monopoly."

A. Yes.

22617. *Q.* You don't know how far they have materialised.

A. I cannot say exactly.

22618. *Sir Manakjee Dadabhoy: Q.* The present disadvantageous position of our industry I understand is partly due to the productive capacity of the world having increased tremendously.

A. Partly to that and partly owing to the fall in the demand.

22619. *Q.* General trade depression.

A. Yes.

22620. *Q.* Owing to that large quantities are diverted to India.

A. Yes.

22621. *Q.* Am I to understand that the biggest competitor of India is Belgium?

A. No. I do not know which is the largest competitor at present.

22622. *Q.* Where does this dumping mostly come from?

A. As I say, about three or four months ago it was largely what we suppose German steel coming from Belgium. It is extremely difficult to say what the origin of the steel is.

22623. *Q.* In answer to Mr. Rhodes you said that in Europe many new works had been started and the old works had tremendously extended.

A. I believe that a large number of works were already started.

22624. *Q.* So, it would be difficult to keep all these works going.

A. Yes.

22625. *Q.* Of course at present the condition is abnormal. When normal conditions are restored do you think that with the protection you have asked for you would be able to stand competition with the foreigners?

A. I think that it ought to enable us to weather through the dangerous period.

22626. *Q.* I quite see your point that they compete with you and that they undersell you. I cannot exactly understand when you say that they sell under their cost price.

A. I cannot say that definitely, but I can say it is nearly so. It is practically impossible for them to offer at that price. We know the cost. Most of the steel works do not manufacture themselves. They buy in the open market and roll them.

22627. *Q.* It might be due to the fact that there being no demand in Europe, instead of locking up their capital they might sell them.

A. That is evidently more than I can say.

22628. *Q.* I gather from you evidence that the protection to the key industry is not merely a matter of price but as you put it it is a question of safety.

A. I think so.

22629. *Q.* From that point of view you require this protection.

A. Yes. I don't think that it is a case of steel industry requiring protection but it is a case of country requiring steel.

22630. *Q.* Your main difficulty in competition is due to the high cost of imported labour which is highly skilled.

A. That is one of our main difficulties.

22631. *Q.* And you have to pay so heavily for the skilled labour in this country.

A. Imported labour costs much more than native labour.

22632. *Q.* Of course you say that you want this protection for a period of 15 years.

A. That is the period we suggest.

22633. *Q.* Can you give me an idea as to why you suggest this figure 15.

A. It is a guess.

22634. *Q.* It is a pure guess.

A. Yes.

22635. *Q.* Do you think by that time you would be well established?

A. By that time, the industry will be firmly established.

22636. *Q.* So far as I understand from your evidence all the elements that are needed for the successful maintenance of the industry are in existence.

A. Yes.

22637. *Q.* That is your essential point.

A. Yes.

22638. *Q.* You have got all the raw materials in this country.

A. Everything.

22639. *Q.* You have also got a good supply of labour but it is only the steel supervision labour that has got to be imported.

A. Yes.

22640. *Q.* Natural resources being to your advantage, you presume that a temporary protection will help your industry.

A. Yes. What is required is that others should be encouraged to start.

22641. *Q.* You say that foreigners are underselling you. Can you give me the real actual difference in percentage between their selling price and yours.

A. Our selling price is their selling price. That is the whole point of our argument. We must sell at the price at which steel can be imported.

22642. *Q.* And to Government?

A. Our production is 1-250th of the world's production. Our price is fixed not by the cost at which we make steel but by the cost at which the 249 manufacturers make steel.

22643. *Q.* Government is giving you orders.

A. We have special contracts with Government.

22644. *Q.* You have put them on a favourable position.

A. Our contracts with Government give them a lower price than they would otherwise pay.

22645. *Q.* Is the contract for an indefinite period or terminable?

A. I don't know if I can give this information to the Committee. There is a certain contract for a certain number of years.

22646. *Q.* My next question will solve this. There are two ways of giving your industry help. One way is by putting a protective duty on the imports or giving you a bounty or bonus. Another way of giving you help is to give you a slightly increased price on the requirements of Government. Would you then be in as good a position as with the higher import duty?

A. That means a bounty.

22647. *Q.* In other shape, not on the production. As we understand from the economic point of view, subsidy or bounty is given on the production. We are giving you on the sales to Government. I want to learn from you whether this is a practicable scheme in any way.

A. Of course the Members of the Government should be prepared to purchase.

22648. *Q.* That would depend on the total percentage of sales to Government and the pressure brought to bear upon them.

A. I have given you the total amount which the industry requires. Government may require one-third of our output. If Government are prepared to pay us that, it would produce exactly the same effect.

22649. *Q.* Can you tell me what proportion of your output is sold to Government.

A. Our present output?

22650. *Q.* Yes.

A. The contract is for a minimum and maximum quantity.

22651. *Q.* Give me the minimum quantity. What ratio does it bear to the total output? That would be sufficient for my purpose.

A. We supplied 22,000 tons of rails last month and 6 or 7 thousands tons of other materials.

22652. *Q.* Is this one-third?

A. That was not one-third. There might be something more. Private railways which are really owned by Government 15,000 tons. They could call on us for much more if they wanted to.

22653. *Q.* Yours is a joint stock company. You would have no objection to tell me what is the total amount of super-tax and income-tax that you pay.

A. I have not got the exact figures here. I can send you if you want the information for the last five years.

22654. *Q.* I understand that your position about the (*copra*) business is that you want altogether a remission of the import duty.

A. If there are any difficulties I would like to put it as I say on the ground that we cannot get this material in the country.

22655. *Q.* You export it again.

A. Yes.

22656. *Q.* You get your copra from Travancore and other Native States.

A. Yes.

22657. *Q.* Do these Native States put any duty on the exports?

A. They charge an export duty.

22658. *Q.* How much is it?

A. The export duty on exports from Travancore would be I think about Rs. 20 a ton.

22659. *Q.* That duty, I suppose, is more injurious to your interest than this small import duty.

A. That duty does affect us considerably.

22660. *Q.* Are there any mills in Travancore?

A. Yes, there are mills.

22661. *Q.* I suppose this duty is put to protect the Travancore mills.

A. It is preferential. Its object is to protect the miller in Travancore.

22662. *Q.* If that is so, you can also ask for protection to your industry against foreign imports.

A. But we are not asking for protection in the case of the oil mills.

22663. *Q.* If you ask this import duty on copra to be remitted, it is nothing less than protection. Protection is a very vague term. It could be defined in any way.

How much duty you pay there altogether, or on what percentage of *copra* you have to pay duty?

A. I should think about one-third.

22664. *Sir Montagu Webb.*—In connexion with the oil mills you ask for the removal of the import duty on *copra* or as an alternative you want a rebate on the quantity of oil and cake exported.

A. The percentage of oil crushed from one ton of copra is ·63 and the percentage of cake is ·32.

22665. *Q.* Rebate is to be allowed only if the oil and the cake go out of India.

A. Yes.

Supplement to Bombay evidence No. 139.

Evidence of J. C. K. PETERSON, Esq., C.I.E., of Messrs. The Tata Iron and Steel Company, Limited, Bombay.

22666. During my examination by the Fiscal Commission Sir Maneckji Dadabhoy asked me if the Steel Company could let him know the total amount paid by them in Income Tax and Super Tax for the past 5 years. I have much pleasure in forwarding him the information.

22667. The total income tax paid for the five years from 1917 to 1921 was Rs. 19,27,022 or an yearly average of Rs. 3,85,404. The total Super Tax paid for the 4 years from 1918 to 1921 was Rs. 14,43,626 or an average of Rs. 3,60,906 per year. The statement attached shows the direct and indirect contributions by the Steel Company to the Government revenue during the year ending 31st March 1921. This does not, of course, take account of the indirect contributions which we and our employees have to pay on imported articles which we buy in India. Nor does it take into account the contribution which the Local Government proposes to levy from us by imposing a tax of Rs. 0-4-0 per ton on coal. This alone, if carried, would amount to Rs. 1,80,000 per annum on our present consumption, which will be considerably increased when our extensions are completed. There is also a further proposal to levy additional royalties on iron ore. Our present annual consumption is about 4,00,000 tons; even if the royalty is increased by 2 annas per ton it would increase our annual expenditure by Rs. 50,000.

22668. During the same examination Mr. Rhodes, I think, stated that the Fiscal Commission would appreciate any evidence that the Steel Company could place before it showing that steel was being sold in India below the cost price of manufacture *plus* freight, transport, customs duty, etc. In this connection, I would draw the attention of the Commission to the following facts:—

(1) At a meeting of the Makers of Plates and Sections held in London on the 2nd February it was determined to quote common minimum prices at all consumers' stations or sidings in Great Britain of £10-10-0 per ton net for plates and £10 per ton net for Sections. It was stated at the meeting that these prices *were below productive costs.* The report of this meeting appears in the "Financier" of the 3rd February 1922.

(2) In the "Iron Monger" of the 4th February 1922, page 114, it will be seen that the quotations for finished steel are in almost every case much lower for shipment than for local trade—the difference being as much as between £10 and £8-7-6 for bars and rails, and £10-10-0 and £8-10-0 for plates.

Direct and indirect contribution by the Steel Company to the Government revenues during the year ending 31st March 1921.

	Rs.
Railway freight paid for in-coming materials	23,97,747
Railway freight paid for out-going materials	7,25,696
Income tax and Super tax	10,84,164
Income tax paid from the salaries of employees	1,14,740
Expenses of stamps and telegrams	36,383
Customs duties paid by the company	7,16,021
TOTAL	50,74,751

Supplement to Witness, No. 139.

22669.

Copy of a letter from J. C. K. Peterson, Esq., of the Tata Iron and Steel Company, Limited, Bombay, No. G.-546—22, dated the 10th April 1922.

So far as I remember, in my evidence before the Fiscal Commission I promised to send further proof showing the cost of production of steel in England. I enclose herewith two statements (*a*) comparing costs based on English market prices with our costs, and (*b*) comparing cost of rails rolled from billets purchased in the English market with the export price quoted.

Rail manufacturers who are producing their rails from billets purchased from other works, as many of them do in England, cannot possibly, at the present price of billets, make rails at the prices quoted for export to this country at present.

A

4th April 1922.

Statement comparing costs based on English Market Prices with our costs.

English Market Price at 1*s.* 3½*d.*		Our costs. Average 1921-22.
	Rs.	Rs.
Basic Pig. £4-10 =	69·5	42·59
Scrap ,, £3-2 =	48	20
Material required for 1-ton steel ingots.		
¾-ton pig at Rs. 69·5 =	52·1	31·94
¼ ,, scrap at Rs. 48 =	12	5
TOTAL	64·1	36·94
Our conversion cost.—Pig to Ingots	53·60	53·60
	117·7	90·54
BLOOMS—		
Cost of Ingots	117·7	90·54
Our cost of conversion	21·53	21·53
	139·23	112·07
RAILS—		
Cost of Blooms	139·23	112·07
Our cost of conversion	48·90	48·90
	188·13	160·97

B

4th April 1922.

Statement comparing cost of Rails rolled from Billets (Blooms) purchased in the English Market with Export price quoted.

English Market price of Billets (Blooms).	Rs.	Our cost of Billets (Blooms). Rs.
£7 5*s.* =	111·94	112·07
Our cost of conversion to Rails	48·90	48·90
RAIL COST	160·84	160·97

= £10-8*s.* as against the price quoted for export at £7-17*s.* 6*d.* A conversion cost of 12*s.* 6*d* per ton from billets to rails is absurd. Yet that is what this price means.

Witness No. 140.

Written statement of the Secretary, Indian Steel Wire Products, Limited, Jamshedpur, dated the 20th February 1922.

C.—Manufactures.

22670. I am interested in the *Steel Wire* and *Metal Shelving* industries. I am the Secretary, Jamshedpur Works of the Indian Steel Wire Products, Limited, a Subsidiary Company to the Tata Iron and Steel Works, Jamshedpur.

22671. The advantages of establishing these industries are :—

(1) All raw materials required for the manufacture of Steel Wire, Steel Wire Products and Metal Shelving will, in the near future, be available in India. All our Steel requirements will be supplied by the Tata Iron and Steel Works and other than Steel requirements are produced in India.

(2) Land Power and Water Supply are available on suitable terms.

(3) Indian Skilled labour will be available.

(4) Proximity to the Consumers' market.

22672. Steel Wire industry is of substantial importance to the economic prosperity of India :—

From the hat to the shoes, in Household articles, Building trade, Rail roads, factories, collieries and farm fencing, for cotton, jute, hay bales and tea chest ties, telegraph lines, etc., Steel Wire and Wire Products are largely used. There are innumerable smaller industries which need steel wire and wire products in their manufacture such as Chain making, manufacture of Screws and Rivets, Hair and Safety Pins, Buckles, Hooks and eyes, re-inforcements in tin and enamelled wares, music wire, wire clips filing and waste baskets, door mats, bed and furniture springs, etc.

When steel wire and wire products become available in India, of the gauge and specification as required many new small industries are likely to be started in which the dexterity and adaptibility of the Indian skilled artisans will play an important part.

When Wire fencing such as is used in America and called Field Fence is put up, farms, gardens, orchards and valuable crops will be better protected and a larger yield will be available to the owners.

Reinforced Concrete Construction which is coming more and more into practice needs steel wire for reinforcements. With lime, cement, stone ballast reinforced with steel wire this industry will find all its raw materials in India.

Economic uses of the now universally required Wire nails are apparent. Give a boy a few pieces of packing boards and a packet of nails with a hammer and he will start his "*Industry*".

One hundred years ago the consumption of Wire per Capita per annum in the most highly civilized countries was "3" Ounces. In the United States of America, now, the consumption of Wire per Capita per annum is 60lbs. According to the information available, in India the consumption of Wire per Capita per annum is about "2" Ounces at present, being less than that of the civilized countries 100 years ago!

For national security barbed wire, wire ropes, chains, rivets, screws and wire nails will do their bit.

In the case of Metal Shelving it will protect the records from white ants so common in India and from fire, etc. It will occupy less space. Timber which has been used so long for Record Stands will be conserved for other uses. We do not propose simply to assemble parts manufactured abroad but make the whole Metal Shelving in India from Sheets and Angle iron bars made in India.

22673. Ours will be the first factory of its kind in India drawing Steel Wire of various gauges both plain and galvanized also stranded and manufacturing various steel wire products such as wire nails, barbed fence wire, field fence, bale ties, poultry netting, etc. We are not aware of the existence of any other factory in India for drawing steel wire and for manufacturing various steel wire products.

In future we expect to roll our own wire rods for drawing into wire, when, the steel wire products which we will be able to manufacture will be more varied as chains, screws, wire ropes and cables, woven wire, cloth, etc.

All our machines and equipment are imported consisting of the latest modern type wire manufacturing machineries. Most of them have arrived in India and are being erected. We find most if not all the machines can be made in India later.

Services of one of the best Wire Specialists available in the United States and who has had a life-long experience in wire manufacture are engaged with experienced Assistants as heads of departments. The actual work will be done by Indian artisans under their directions. In course of time suitable Indian Staff will be trained to take the places now given to foreigners.

Capital of the Company is all Indian and has a Board of Directors and a firm of Managing Agents, all Indian.

We are afraid we cannot call our Steel Wire factory an "infant" industry as it is yet to be born. We expect it to come into existence in a few months more and before it raises its first cry we beg to approach you to afford us facility to give it such nourishment as it will need, at least, during its "infant" stages and till it is able to "stand" and "walk" on its own legs.

In foreign countries for nearly 600 years wire industry has been developed mostly on the *Commercial Side*. There seems to be almost complete lack of invention on the mechanical side. The same mechanical devices, as a Die, Power-driven tongs and Power-driven block to supply the traction and wind the wire drawn, have all along been used with little change. Dependent so much on experienced and skilful manipulation and affected so largely by commercial requirements we believe this industry is very suitable to India and is likely to grow in India.

To compare with other countries, I beg to refer to the United States of America first, the largest Wire and Wire Products manufacturing country in the world, at present.

Until 1880 the United Kingdom was pre-eminent in the supply of the World's requirements of Wire. During the early eighties Germany entered into competition and ten years later the United States came in—practically to "Stay."

Steel Wire is drawn from mild steel wire rods. The present output of Wire Rods in the United States is about 30,00,000 Tons or about 10 per cent. of the total Steel output of that country. The following is the approximate tonnage of the Wire Products manufactured from these Wire Rods :—

	Tons.
1. Wire Nails	5,50,000
2. „ Fence	4,00,000
3. Barbed Wire	3,00,000
4. Wire (Manufactured) ...	2,75,000
5. Wire Ropes	1,25,000
6. Bale Ties	75,000
7. Screws and Rivets ...	65,000
8. Packing Wire ...	50,000
9. Bed and furniture springs	30,000
10. Concrete Reinforcements ...	30,000
11. Poultry Netting ...	30,000
12. Chains	25,000
13. Electric Wire	5,000
14. Exported	4,50,000

of the Wire fencing 93 per cent. is taken by American farmers and about 7 per cent. by the Railroads; of the Wire nails 78 per cent. goes into the Building industry, 8 per cent. goes into the Package industry and 14 per cent. goes to the farmers.

As to the United Kingdom, in 1565 Queen Elizabeth invited certain persons to move from Germany and establish themselves in Wales, for the purpose of introducing and practising the art of Wire Drawing. At that time there was no wire drawing whatever done in England. The industry seems to have got a sound footing as early as 1592. It will be interesting to read a portion of the petition laid before the Parliament asking for prohibition against importing foreign wire and wire goods.

. . . "They are able not only to serve this whole Realme of England and Wales with Iron Wyer sufficient and at as reasonable prices as forren wyer can be accorded for all necessary uses thereof but also with an overplus to be

vented into other countries. By the saide drawinge and forging of iron into Wyer at tinterm aforesaide are now mayntayned at least 500 persons men, women and children that otherwise coulde not tell howe to bee relieved ... and making of knitting needles, packneedles, nayles, chaynes, burde caiges, mouse trappes, buckles, iron rings and such like iron wyer wares the iron wyer cards that usually broughte over are for the moste parte made in Roane in Normandy a leaguer towne in Fraunce and that both the skinnes and bourds whereof they are made are caryed out of this Realme whereby your Majesties' Ennemyes be sett woorke and grow riche whilst your Majestie's good Subjects become idle and are ready to begge for lacke of occupacon, the Science of iron wyer drawinge..... being such and so easie as aged persons woomen children of six years olde and poore souldiors that are maymed in the warres and have loste both their legges and one of their arms and so be fitt for no other worke may be in a few hours be made able to gette an honest and competentt livinge thereby".

Prior to 1900 the British Wire trade depended practically entirely upon British Steel for its raw materials but in the years immediately before the war there was an importation of 1,00,000 Tons of wire rods per annum while the importation of billets, a considerable portion of which was used by British rod rollers amounted to nearly half a million tons.

The associated firms produce approximately 2,500 tons of wire rods a week of which 1,600 tons are high carbon rods for Wire Ropes for Collieries, ships, hawsers and cable wire, Certain of the Associated firms roll rods from steel billets supplied by their customers other manufacture, or purchase their steel billets.

Nails.—Until the end of the 18th century all nails were wrought and the hand made nail trade still exists in some districts. The cut nail trade developed in 1811, the make increasing to a maximum of 35,000 tons per annum at the end of the last century. Since 1903, the output has decreased on account of the competition from Wire nails and amounted in 1903 to only 24,000 tons per annum.

The Wire nail trade developed in Germany, Belgium, Austria and America. But very little was done in the United Kingdom and the imported wire nails swamped the market. The manufacture of Wire and Wire nails is hampered in the United Kingdom by the rules of the Workmen's Society of Wire drawers that no man should take charge of more than two wire drawing blocks whereas in Germany and America no limit is placed upon the number of blocks an individual may attend.

In America large manufacturing units with economical production have enabled American manufacturers to drive British firms out of Export market for standard products such as barbed wire while in Germany a pooling arrangement allows a payment of a bounty of 10s. to 20s. a ton on exported wire.

England's island position with her close commercial ties with the continent naturally favours the policy of Free trade. She imports semi-finished steel bars, skelps and angles, etc., and re-rolls them for export in one form or another. In 1913 she imported 1,000,000 tons of semi-finished steel for re-rolling. Having to buy the cheapest, protective tariff will go against her interests.

22674. This industry will depend for the sale of its output on the Indian market first of all. Any excess over India's purchase will be sold in Mesopotamia, East Africa, Australia and other adjacent countries.

22675. We do not expect much of a competition from the United Kingdom although they re-export some wire and wiry products. The greatest competition will be from Germany and United States of America. It will practically affect all the classes of goods we intend to manufacture. It will be keenest in Wire Nails. As to England, regarding Wire Nails, the writer made personal inquiries while on two visits to Europe and America and gathered that England was not manufacturing Wire Nails on commercial basis.

22676. This industry needs protection. We consider 20 to 25 per cent. *ad valorem* import duty should be charged on *all imported wire and wire products and manufactured metal shelving in parts or complete, from all foreign countries. We think Imperial preference will not affect us to any great extent, as indicated in answer to question No. 48.*

Wire rods from which we have to make wire were priced as below in 1921 in U. S. A.:—

		$
January 1921	... ...	*57·00 per ton.*
February „	... ...	57·00 „ „
March „	... ...	52·00 „ „
April „	... ...	50·00 „ „
May „	... ...	48·00 „ „
June 1921	... ...	47·00 per ton.
July „	... ...	47·00 „ „
August „	... ...	42·00 „ „
September „	... ...	40 00 „ „
October „	... ...	40 00 „ „
November „	... ...	38·00 „ „
December „	... ...	38·00 „ „
	AVERAGE RATE	46·00 „ „

Wire rods of British make were priced as below in 1921 in Britain :—

		£	s.	d.	
January, 1921	... ...	22	0	0	per ton.
February „	... ...	16	15	0	„ „
March „	... ...	16	15	0	„ „
April „	... ...	15	10	0	„ „
May „	... ...	15	10	0	„ „
June „	... ...	15	10	0	„ „
July „	... ...	15	10	0	„ „
August „	... ...	16	5	0	„ „
September „	... ...	12	10	0	„ „
October „	... ...	12	0	0	„ „
November „	... ...	10	10	0	„ „
December „	... ...	10	10	0	„ „
	AVERAGE RATE	14	18	9	„ „

To these prices we have to add Ocean freight, clearing and Port Charges and Customs duty, etc. The cost of Wire Rods will roughly amount to Rs. 268 for America per ton and Rs. 273 for British per ton. Finished products as wire nails are sold in the markets at Rs. 320 to Rs. 360 per ton. The margin between the price of raw materials and finished products is not enough to cover the total manufacturing cost and to leave profit. In the wire industry in U. S. America the percentage of profit is small but the total output is large. In India the following tonnage of wire and wire products was imported during the three years as mentioned below :—

	1918-19 tons.	1919-20 tons.	1920-21 tons
Wire	7,426	6,395	5,532
Wire nails	(not available)	6,689	9,445
Wire Rope	2,578	3,457	2,965
TOTAL	9,994	16,541	18,942

"These amounts are too small to work on a small percentage of profit. To make wire and wire products more popular and to increase their consumption we shall have to lower rates as far as we can."

We therefore do need protection.

22677. If protection is granted we dare say this industry will eventually reach a level of development which would enable it to face foreign competition in course of years without the aid of protection.

22678. The finished products of this industry are used as raw material for several other industries. For instance wire will be used in Re-inforced Concrete Construction, in Cement Reinforced Pipes (like "Hume" pipes), in the manufacture of Screws and rivetes, etc.

22679. This industry will use Wire Rods which are manufactured by the steel makers, sheets which are finished products of the steel makers sheet mills, will be used for making steel shelving.

22680. If a protective policy is adopted it is possible that British and foreign industrial firms will endeavour to establish themselves in India in order to get the benefit of the protective tariff. Our attitude towards such comers will be friendly. However we beg to suggest that any such foreign firm should have to certify that not less than 75 per cent. of the total capital of the Company has been subscribed by Indians before they establish their factories in India to take the benefit of the tariff.

22681. When an import duty is imposed we do not consider that ordinarily it is passed on to the consumer. The protection is to make it difficult to import foreign made goods. If foreign made goods do not come in to compete easily with Indian made home goods the price of Indian made goods will not rise necessarily but will easily command sale at pre-protection rates. Larger demands on Indian made goods will likely lower prices as cost of production will be lowered being made in greater bulk and release of capital will be quicker.

Oral evidence of Mr.———, Secretary, Indian Steel Wire Products, Ltd., Jamshedpur.

Bombay. 2nd March 1922. (A. J.)

22682. *President*: *Q.*—You are Secretary to the Jamshedpur Indian Steel Wire Products, Ltd.

A.—Yes.

22683. *Q.*—You are interested in the Steel Wire and Metal Shelving industries.

A.—Yes.

22684. *Q.*—Yours is a joint stock company.

A.—Yes.

22685. *Q.*—When was it registered?

A.—In 1920.

22686. *Q.*—You claim in your answer to Question No. 50 that your industry needs protection and that you consider that 20 to 25 per cent. *ad valorem* import duty should be charged on all imports. Will you please tell me on what basis you have arrived at that figure?

A.—The difference between the price of the raw material and the price of the finished product is so small as not to be enough to guarantee any profits. So we need 20 to 25 per cent.

22687. *Q.*—I asked you on what basis you have arrived at that figure. Do you mean to say that at present your working cost and your selling price does not give you adequate profit? What will be the profit you will earn on your capital if you get 20 to 25 per cent. protection?

A.—The profits will be about 10 per cent.

22688. *Sir Manakjee Dadabhoy*:—*Q.*—Is your factory working now?

A.—We are not yet working.

22689. *Q.*—When do you propose to work?

A.—About the middle of this year.

22690. *Q.*—All your calculations were made before you started the work?

A.—They were made on the probable cost.

22691. *Q.*—Yours is a subsidiary industry depending on Tata's Steel Works?

A.—Yes.

22692. *Q.*—If Tata's Steel Works gets any protection by way of an import duty, yours being a subsidiary company will also get protection?

A.—We are buying our raw materials from the Tatas and those raw materials will be higher in price, if an import duty is levied. We are independent of the Tatas.

22693. *Q.*—Are you not under agreement with the Tatas? As a subsidiary company I understand the Tatas give you protection.

A.—The agreement is we have to pay at the cost price of the steel products in other countries.

22694. *Q.*—But my information was that the Tatas helped you to compete against the foreign imports by giving you your raw materials at a cheaper price.

A.—Well, they give it for a short time only, and afterwards we have to buy at the market price from them.

22695. *The President*:—*Q.*—For a certain period you get them at a fixed price?

A.—Yes.

22696. *Sir Manakjee Dadabhoy*:—*Q.*—Therefore any protection given to the Tatas will benefit you for the period?

A.—Yes, for that period.

22697. *Mr. Jamnadas Dwarkadas*:—*Q.*—You say: "In course of time, suitable Indian staff will be trained." Is your company making any arrangements for the training of Indians?

A.—We are going to train apprentices.

22698. *Q.*—Then you say that in course of time your industry will be able to face foreign competition without protection?

A.—Yes.

22699. *Q.*—How long do you think that will take?

A.—About 10 or 15 years. It takes 5 years to bring the industry into working order and we need protection for 10 years more.

22700. *Q.*—You say your attitude would be friendly towards foreign firms establishing themselves in India, but you suggest that 75 per cent. of the capital should be subscribed by Indians. Why do you suggest that if your attitude is friendly?

A.—I think they should be started with more and more Indian capital. There should be a proportion of Indians in the directorate also.

22701. *Mr. R. A. Mant*: *Q.*—You ask for a duty of 25 per cent. *ad valorem* on your products. Can you tell me what the present duty is?

A.—It is 2½ per cent. I understand.

22702. *Q.*—It was raised yesterday to 10 per cent. on certain steel products. Can you tell me under which items in the tariff your products would fall? Would they come under "steel plates"?

A.—Yes.

22703. *Q.*—Then, all your products will come under 10 per cent. Your products are raw material for other industries?

A.—Yes.

22704. *Q.*—If you are given a protective duty of 20 or 25 per cent. that will raise the price of the raw material for other industries.

A.—Not necessarily; it will not raise the price if we do not sell our products at the same price as the imported products.

22705. *Q.*—If you are given protection won't you raise your price?

A.—Only to a certain extent.

22706. *Mr. Rhodes*: *Q.*—You want protection so that you may get a better price for your commodity?

A.—Yes.

22707. *Q.*—Still you say: "These amounts are too small to work on a small percentage of profit. To make wire and wire products more popular and to increase their consumption we shall have to lower rates as far as we can." What do you mean by "we shall have to lower rates as far as we can?"

A.—Protection will raise the cost of the imported wire products. This will give an inducement to us to produce more, and when our production becomes larger the price will be lowered. We can sell our products cheaper in order to make them popular.

22708. *Mr. Seshagiri Iyer*: *Q.*—In training the workmen, do you indent upon the local craftsmen?

A.—Our idea is to take those who are equipped with some sort of scientific or technical education, such as University graduates and train them up for the superior staff of our works.

22709. *Q.*—Don't you think that the men who are hereditarily carrying on the profession will be better?

A.—They will be taken for the artisan class.

22710. *Q.*—And you are training them?

A.—Yes.

22711. *Mr. Narottam Morarji.*—Since you contemplated the starting of this factory have the wages gone up?

A.—Since that time wages have gone up.

22712. *Q.*—You say you can make 10 per cent. profit. Your calculations are only based on possibilities and not on actual facts. Therefore you cannot be certain of it?

A.—That is so.

22713. *Q.*—How many men do you employ?

A.—About 800 to 1,000.

22714. *Q.*—Are you getting American experts?

A.—We have engaged them already.

22715. *Q.*—Are you sending Indians abroad for training?

A.—Indians will be trained here. We are going to entertain apprentices.

The witness withdrew.

Witness No. 141.

Written statement of Mr. Mavji Govindji Sheth, 72, Apollo Street, Fort, Bombay, dated the 22nd February 1922.

22716. Generally I like a policy of Free Trade but the present condition of the country as compared with other countries of the World impels me to favour protection. I have no objection to the imposition of Customs Duties for the purpose of obtaining revenue. In my opinion a Tariff provides a more suitable form of Taxation for India than direct taxation. And if fresh taxation were necessary I would prefer an increase in Customs Duty to an increase in direct taxation.

22717. The existing Tariff policy has had a most adverse effect on the economic well-being of the country. It can safely be described as step-motherly, being pursued at

the dictation of the Secretary of State acting in the interests of British Trade and Industries sometimes even against the wishes of the Government of India. Not only that but it had made India a dumping ground for the wares of almost of all the manufacturing countries of the world, notably of Germany and Japan and latterly of America. If fifty years ago a Commission like this had been appointed and had advised and if the Government of India had been left free to adopt a protective tariff Indian-Industries would have thriven so much that the last War would have ended at least two years earlier. A comparison with the economic growth of Japan and the Industrial and Commercial expansion of the United States of America would at once show what those countries gained by a policy of protection and what India lost by continuance of the existing Tariff Policy. If its effects in the past have been bad, in future they are bound to be worse. With most of the countries with which India has to deal being protectionist India can ill-afford to continue the present policy which has been and is bound to be ruinous.

22718. No, I do not approve of imposing a countervailing excise duty in any shape on any article manufactured in India.

22719. I believe that if the new tariff policy is framed primarily with the object of fostering Indian Industries the accruing advantages would be manifold. Nature intended to make India a first rate country both Industrially and Agriculturally and for that purpose endowed her with her choicest blessings in the form of raw produce but to-day she finds herself in the unenviable position of being a supplier of raw material and of coolies to the world and a free market place, for the manufacturers of the Industrially advanced countries. She has been left behind considerably and protection is the only way by which she can overtake them and cease to be a commercial dependancy not only of Great Britain, but of the world.

22720. Prior to the battle of Plassey, India was practically a self-sufficient country. She was practically independent of other countries in regard to almost all her requirements of manufactured goods. And there is no reason why - given the necessary impetus—she should not become practically independent in the fullness of time. I can conceive of very few articles whose raw material is not or cannot be made available in this country. Its utilisation for manufacturing purposes would then be only a question of time. I have full faith in the manufacturing genius of my countrymen and they will not fail to take full advantage of the impetus given by protection and make India practically independent in a much better sense than she ever was.

22721. Protective duties must be imposed on all imported manufactures but according to a scale well graded and carefully planned and having maximum and a minimum. All imports would have to pay the minimum rate, but the case of each industry will have to be considered on its merits in determining the variations between the minimum and maximum.

22722. Protection will encourage automatic growth and capital will not fail to take full advantage of profitable manufacturing. If as time goes it is found that sufficient progress is not made greater attention will have to be paid to key industries than to the subsidiary ones.

22723. Taking longer or shorter time to be able to face foreign competition without protection would not be the only or the chief consideration in determining the extent or duration of protection. The value and importance of an Industry to the general prosperity of the country should be the guiding factor in determining the question of assistance whether temporary or continuous. Much however will depend on the course of action followed by other countries in their treatment of India.

22724. Undoubtedly. The ascertaining of facts would not be difficult at all inasmuch as the local interests concerned and the ample resources at the disposal of the Government of India and British Consulates in different parts of the world would do it without any special measures being found necessary.

22725. Everything must be done to give all possible encouragement to hand-industries and particularly to the cotton Handloom industry which has stood the test of strenuous competition by the Power-loom. In an agricultural country like India with a large village population the fostering of Cottage Industries is a paramount duty.

22726. It will take some appreciable time before the conditions favourable to such combinations arise.

22727. 18. It is quite likely. I would not oppose the establishment of British or Foreign Industrial firms attracted to India by the protection afforded, provided such establishment is calculated to result in the ultimate advantage of this country. And therefore my suggestion would be to make it obligatory on such firms to issue a definite proportion of their capital in India and to include a fair proportion of Indian element both in the management and in the Directorate of such concerns.

22728. Such conflicts of interests are bound to arise. But such conflicts whenever they arise would have to be adjusted with an eye to the good of the country as a whole as against sectional interests. And I am sure the Indian Legislatures would be quite capable of satisfactorily dealing with them.

22729. Partially yes. But such rise in price is more than compensated ultimately by the advantages accruing to the country as a whole as such rises would not be unbearable or oppressive.

22730. It is probable that an apparently permanent rise in prices follows a protective duty but there would be many counteracting forces which would prevent any adverse effect on the consumer.

22731. The effect on the whole would be beneficial to the country in regard to her foreign trade and her general commercial position and prosperity.

22732. Yes, in some cases.

22733. I would not be averse to such an adoption provided that India's interests are ever carefully guarded.

22734. Yes.

22735. I think a permanent joint-committee of the Indian Legislatures would well serve the purpose in view.

22736. The proper function of export duties would generally be for revenue purposes when they could safely be imposed but there should be no bar to their utilisation in some cases for purposes of protection.

22737. Occasional imposition of duties on the export of foodstuffs for the purposes of maintaining sufficient stocks in the country and of preventing abnormal rise in cost of living would not be inadvisable.

B. IMPERIAL PREFERENCE.

22738. The question of Imperial Preference can be considered only at the time when India finds herself in the happy position of talking to the other members of the Empire from the same level.

Oral evidence, Bombay, the 2nd March 1922.

22739. *President.*—*Q.* Mr. Mavji, are you a partner in the company?

A. Yes.

22740. *Q.* Are you interested in business or in industries or in both?

A. In both. I am director in one of the mills in Bombay, the Bombay Industrials and I am a Managing Director of the Swadeshi Stores. I carry on an export and import business.

22741. *Q.* You are in favour of a protective policy?

A. Yes.

22742. *Sir Edgar Holberton.*—*Q.* How long have you been in business?

A. For the last 13 or 14 years.

22743. *Q.* Do you find the economic condition of Bombay good on the whole?

A. Bombay particularly, is improving day by day.

22744. *Q.* I think your experience is confined to Bombay?

A. Practically the whole country. My purchases are from all over the country. With regard to war contracts I made purchases all over the country and being a managing director of Swadeshi Stores, I go to every nook and corner of India in search of articles which can be substituted for foreign articles.

22745. *Q.* Do you confine your business entirely to Swadeshi articles?

A. I am an importer and exporter; I am an importer of coal from the United Kingdom and Africa and export oil seeds to the United Kingdom and to continental ports.

22746. *Q.* You consider that the economic position of India has materially improved?

A. The present policy has not encouraged the industrialisation of the country as it ought to have done. India has been left behind in industries and the need was particularly felt in the time of war. When war began India with ample natural resources ought to have stood first and helped

England to such an extent that the war should have ended much earlier than 1918. At the time the cry was for munitions and if India had been industrially fit at that time the history of the war would have been written differently.—

22747. *Q.* I think it would.

A. When the war began we could not manufacture any ships, for instance there was not a single shipbuilding yard in India in spite of the fact that the necessary raw materials were here such as timber, steel plates, coal and everything. If there had been shipbuilding yards in Calcutta and Rangoon five years ago we would have given ships to England at a very rapid rate.

22748. *Q.* I believe there are too many ships now.

A. So with regard to other industries.

22749. *Q.* With reference to agriculture have you had much experience?

A. None except what I happened to learn during my travels and especially during my visits to villages, when I mixed with the agriculturists.

22750. *Q.* Do you think their economic condition has improved during the past ten years?

A. I think it has grown from bad to worse.

22751. *Q.* You don't find them any better?

A. No.

22752. *Q.* Do you think it advisable to take them away from their lands and make them industrial labourers?

A. Not unless driven by absolute necessity.

22753. *Mr. Coyajee.*—*Q.* In answer to Question No. 29 you suggest that a permanent joint committee of the Indian Legislatures would well serve the purpose in view. Do you think the committee of the Legislatures would be able to keep in constant touch with the multifarious changes in all foreign tariffs and will always be considering the effect of the tariffs on Indian goods and so on?

A. Absolutely Sir. As the Joint Committee of both the Houses of Parliament in England can take care of the manifold and various developing interests of India at a distance of six thousand miles, I think it stands to reason that the Joint Committee of the Indian Legislatures would be able to cope with this work.

22754. *Q.* I can only quote the remarks of Professor Schemel, the German advocate of protection who says that Parliament is the worst place to prepare tariffs.

A. Exactly Sir. That is with reference to Parliament, but not to standing committees chosen or elected by legislatures.

22755. *Mr. Seshagiri Ayyar.*—*Q.* Do the Bombay mill-owners find any difficulty in getting labour?

A. No. Only latterly on account of so many causes such as influenza and on account of labour troubles there has been some difficulty experienced recently. On the whole generally except during the monsoon months there has been very little difficulty in securing labour.

22756. *Q.* As a matter of fact is not the industrial labourer, the man who works in towns in a better position than the agricultural labourer who gets work only for four months in the year?

A. Exactly.

22757. *Q.* The agricultural labourer has to work for four months and the remaining eight months he has to keep quiet. Consequently when he sees his own brother getting a better position in the Bombay industrial market he would certainly be tempted to follow the same line, is it not?

A. That is the phenomenon that we have been all along witnessing.

22758. *Q.* You don't expect then that if you start more industries there would be great difficulty in inducing the agricultural labourers to come and work in the industries?

A. On the other hand it will relieve the burden on land; the burden on land at present in India is almost unbearable.

22759. *Q.* As a matter of fact there are too many men now on land and you want to wean them away from their lands and take them to industries?

A. Quite so.

22760. *Q.* You are opposed to excise duty, is it not?

A. Yes.

22761. *Q.* Because it had a bad origin, namely it was intended to placate Manchester against India. Supposing you give up the word 'Excise' and you put some duty upon the textile industries that would have the effect of encouraging the handloom industry, would you have any objection?

A. It would be putting old wines into new bottles. It would not make any difference. If, however, there is a stringency and revenues are absolutely needed then as a temporary arrangement some duties might be imposed. I won't be in favour of excise duties.

22762. *Q.* You say you would like to give handloom industries as much encouragement as possible. Supposing there is sufficient margin for the protection of the power-loom industry have you any objection to some tax being levied which would help the handloom industry?

A. I would not have any objection, if both the interests are agreed about the necessity of it.

22763. *Q.* I will put you a very definite question. Suppose there is very good protection as against Lancashire or any other foreign manufacture. In addition to that a duty is levied which had the effect of encouraging the handloom industry. Would you have any objection?

A. I would not.

22764. *Q.* You say in answer to Question No. 33, "occasional imposition of duties on the export of foodstuffs for the purposes of maintaining sufficient stocks in the country and of preventing abnormal rise in cost of living would not be inadvisable."

A. I understand your point. I have put it in very guarded language because it is a step affecting the well-being of the masses. I won't like to be dogmatic on this point particularly. What I mean is that particularly in years of famine so much of foodstuffs are taken away from the country that there is no food at home here for the children of the soil. In such cases the Government of India ought to keep a very watchful eye on the outflow of exports so that at any time they find that so much only should be exported and nothing further, the Government of India must have the power to step in and tax the exports.

22765. *Q.* Then you would like to have a general control and not a general export duty?

A. Yes.

22766. *Mr. Jamnadas Dwarkadas.*—*Q.* Mr. Seshagiri Ayyar asked you whether you would object to an excise duty if it had the effect of protecting the handloom industry. You are acquainted with the history of the excise duty. Wasn't the excise duty levied for the well-known purpose of giving indirect protection to Lancashire?

A. Yes.

22767. *Q.* Against the interests of India?

A. That is a historical fact.

22768. *Q.* Has it ever been suggested by any one or even by the Government of India that the excise duty is imposed for the purpose of giving protection to handloom weavers against millowners?

A. I have not seen that argument so far in my studies?

22769. *Q.* You know that the Indian mills and all the handlooms are not able to supply all the requirements of India?

A. Yes.

22770. *Q.* The Indian mills and the handloom are not able to produce cloth enough to supply the requirements of India.

A. They supply about half the requirements. Latterly they have increased their output.

22771. *Q.* So really speaking, there cannot be a question of competition between the handloom industry and the mill industry as such—(No answer.)

22772. *Q.* Now by whom is the mill made cloth largely used?

A. By the poor classes.

22773. *Q.* By whom is the imported cloth largely used?

A. They are particularly used by the higher classes, by 10 per cent. of the population.

22774. *Q.* If there is an increase in the import duty don't you believe that that burden would have to be borne by the better classes?

A. Exactly that is my point.

22775. *Q.* If there is an increase in the excise duty by whom will the burden have to be borne?

A. So long as the mills produce coarser cloth the burden will have to be borne by the masses.

22776. *Q.* Under these circumstances would you justify the revision of the excise duty?

A. I do not justify that. In my answer to Mr Seshagiri Ayyar I said that only as a matter of adjustment between the two interests the handloom industry and the mill industry, if both interests were satisfied and by mutual agreement if they arrive at a settlement then I think some sort of duty may be imposed.

22777. *Q.* To put you a straight question, yesterday we read that the excise duty had been increased from 3½ per cent. to 7 per cent. Do you think that it is in the interests of the masses or that the Indian opinion will tolerate it?

A. It is not only bad but oppressive; because, if I am allowed to mention it, the Indian mills have received three blows, while the outside mills receive only one blow. In the first place there is an excise duty, then the tax on

machinery has been increased and thirdly the super-tax has been increased. The Indian mills have thus received three blows whereas the outside mills have received only one blow, that is the import duty has increased. This is unjustifiable.

22778. *Q.* In your opinion the excise duty has the effect of penalising the only industry which is the mainstay of India ?

A. Yes, that is my view.

22779. *Sir Minakjee Dadabhoy.*—*Q.* You generally favour the imposition of a duty on all imported articles ?

A. Yes.

22780. *Q.* Don't you think that there should be any imported article in the free list at all ?

A. No. All must bear a minimum rate. I have suggested a minimum and a maximum rate.

22781. *Q.* You want a graded list ?

A. Yes.

22782. *Q.* You want the revenue duties to be so framed as to bring the maximum of return ?

A. Yes.

Witness No. 142.

Ahmedabad Millowners' Association, Ahmedabad.

Written Statement dated the 24th February 1922.

22783. 1. The Committee of the Association favours the policy of protection for India as it is of opinion that the economic salvation of the country lies in adopting that policy.

22784. 2. We believe that tariff provides a more suitable form of taxation for India than direct taxation. We also think that an increase in Customs would be a better form than an increase in direct taxation.

22785. 3. If necessary, we would like to suggest the raising of the duties on certain articles of luxuries and comforts. An export duty on such materials which are largely produced in India (and which are not generally used for manufacturing purposes in India) and of which there is a constant demand from several foreign countries will, in our opinion, provide for the necessary revenue.

22786 4. The existing basis of tariff should be so altered as to give free scope to the policy of protection. Under the present system we do not think that the country's nascent industries are sufficiently protected against up-to-date method of foreign competition from well-established industrial concerns.

22787. 5. The existing tariff policy has not had the desired effect of fostering Indian industries and we anticipate the same depressing effect on Indian industries if the same policy is continued in future.

22788. 6. Emphatically no.

22789. 7. We do not favour the imposition of Excise Duty on the ground of encouraging and protecting home manufacture.

22790. 8. In principle it would, but in practice if the margin of profit was great and the incidence of duty was insignificant the prices may not be affected but if converse were the case, *i.e.*, the margin of profits be lower and the incidence of duty higher, then certainly the prices would increase but all these probable changes mainly depend upon the conditions of supply and demand.

22791. 9. Primarily for the sake of fostering Indian industries and secondly for the purpose of revenue also.

22792. 10. We look forward to India becoming in time an independent country in regard to good many of her requirements of manufactured goods, provided due protection is afforded. India will have to depend for many many years on other countries for scientific implements, certain electrical apparatuses, aeroplanes, Zapelins, submarines, etc.

22793. 11. We would favour the imposition of protective duties on such imported manufactures as are being made in India at the present day or are likely to be made in the near future.

22794. 12. We would select such industries for which raw materials and an easy market are possible and which have a bright future for expansion.

22795. 13. Yes.

The principle of selection would be as under :—

(a) Facilities for the supply of raw materials are abundant.

(b) Those industries for which raw products are exported at a low rate and which after being converted into finished products are reimported at a high rate.

(c) Manufacture of such articles as are imported at very cheap rates and which are consumed in large quantities in this country—*e.g.*, Matches, fireworks, dyes, glue, paper, etc.

(d) Key-industries, *e.g.*, textile, agricultural, dairy machinery and locomotive.

22796. 14. As a rule protection is necessary for industries which are likely after a period to be able to face foreign competition. We are not prepared to say that certain industries of a special nature would not require to be fostered continuously.

22797. 15. Yes.

In the case of dumping one way of ascertaining it is the comparison of cost price and sale price. If the latter is lower than the former as ascertained from reliable data, it is some indication of the existence of dumping.

As regards the measures required to afford necessary protection, we would recommend the imposition of prohibitive tariff to wipe out the evil.

22798. 16. Our attitude towards hand-industries and the cotton handloom industry is very much sympathetic because it supports a large agricultural population of India and supplies further needs of the country. Moreover, certain kinds of cloths which are not manufactured by power-looms in India are woven in handloom.

22799. 17. Such a state of affairs we do not think possible for several years, as India is a very large country, and in case the quasi-monopoly combination becomes a possibility to the detriment of the national interests a reduction of the protective duty may be resorted to in order to check them.

22800. 18. There is every likelihood of foreign industrial firms establishing themselves in India, in order to avail themselves of the advantages of the protective tariff, and the result of such endeavours would be detrimental to India, inasmuch as such profits would be going out of the country and would be hampering the employment of Indian capital for the advancement of Indian industries.

22801. 19. We believe in the possibility of such conflicts but this being unavoidable they could be adjusted without great difficulty as they are being adjusted in other countries.

22802. 20. The burden of the imposition of an import duty is likely to fall on the consumer to a certain extent, but where the margin of profit is very high the consumer may not have to share the burden. The Indian production of the same article may find greater facility by such an import duty. In the interests of the country, and the possibility of future advantages to the country, such duty is justifiable even though the consumer has to suffer a little rise in prices.

22803. 21. The rise in prices on account of an import duty would be permanent if the country is not producing that particular material.

22804. 22. Yes, because the ultimate idea is to develop Indian industries and to derive permanent good thereby.

22805. 23. Even if the protected article were a necessary of life the rise in price is justifiable, in view of the fact that India is mostly able to produce the necessaries of life, and that permanent advantages of India would be more safeguarded by a temporary rise in prices.

Food and clothing we regard as the chief necessaries of life. In foodstuffs India produces more than it consumes. For clothing India has abundance of raw materials, which may in future make the country self-sufficient.

22806. 24. The cost of living in India through increase in tariff rates may slightly be increased. The agricultural classes will not experience a material increase in the prices. As regards the increase on the classes the matter is insignificant. We believe that the increase would be covered up by a rise in industrial wages.

22807. 25. The policy of protection will affect the foreign trade of India to a certain extent but will result in a great general commercial advantage to the country.

22808. 26. We favour the suggestion of the use of tariff for bargaining with other countries. This, we believe, will benefit India as India will be in a position to treat favourably those countries who treat her favourably.

22809. 27. On the strength of the above statement we would recommend the adoption of general and special tariff, the special being applied to countries from which India receives favourable treatment.

22810. 28. If the tariff is to be used for bargaining it would be necessary to make it more detailed than it is at present.

22811. 29. We would recommend the necessity of a permanent organisation for investigating the claims of various industries for protection, from time to time, and for the periodical readjustment of the various tariff rates. The staff of this organisation should be selected mostly from among Indians who would be in a position to understand the circumstances and conditions of trade and industries.

22812. 30. The chief function of export duties should be the conservation of foodstuffs in the country, in order to save it from the pangs of famine. Export duty can be levied for raising revenue and protecting nascent industries. It may be also utilised for bargaining with, or retaliating upon other countries.

22813. 31. Export duty on tea, jute, raw materials exported for medicinal purposes *e.g.*, distillation of tinctures, spirits, etc. shellac, cereals, grain and such other materials will be fully justified as it will not injure the trade.

22814. 32. Export duty on raw material for its retention in India would be advisable in such cases where the raw material is not a surplus but a necessary factor for manufacture in India. For instance, Japan may choose to take away from India a large quantity of cotton in a manner which would be detrimental to the interests of the Indian textile workers; an export duty on cotton under such circumstances would be justifiable.

22815. 33. We are strongly of opinion that an export duty on foodstuffs is a necessity in view of the many famines in India during the last 30 years. The effect of such a measure on the agricultural classes will not be detrimental and the quantity of foodstuffs produced in India also will not be so large as to materially affect the interests of the agricultural classes.

22816. 34. As India does not export a considerable quantity of its manufactured goods, comparatively with other countries, we do not think that an imposition of an export duty on a raw material in return for an import duty imposed by a foreign country on the manufactured articles will be worth contemplating. We do not recommend such a retaliatory measure in such cases.

22817. 35. We do not generally favour the policy of Imperial Preference as we believe it is likely to hinder the industrial development of India. We apprehend the danger of the exploitation of India's natural resources under such a system. Further, the principle of Imperial Preference would be highly unsound from the Indian standpoint. We believe such a system would prove a medium of getting more advantage from India to the detriment of Indian consumers on the part of the foreigners.

22818. 36. No.

22819. 37. We anticipate considerable loss to India from a system of Imperial Preference. The economic life of the country will be surely affected to the disadvantage of the country. In view of the competitive position of foreign countries in capturing the markets of India we do not think there is any likelihood of a retaliation by foreign countries against India.

22820. 38 and 39. As we are not in favour of Imperial Preference we do not go into the details of these questions.

22821. 40. This depends upon the demand and supply of the imported article.

22822. 41 and 42. The system of Imperial Preference is likely to diminish the value of Indian imports or exports on certain articles and may thus affect the balance of trade. The position of British imports being very sound, in comparison with other countries, it is needless to advocate the system of Imperial Preference.

22823. 43. The Ahmedabad Millowners' Association represents chiefly the textile industry and to some extent oil, iron, flour and ice factories.

22824. 44. We consider that the textile industry has the natural advantages of raw materials, required labour and local market for manufactured products.

22825. 45. The textile industry is imperatively essential to the national security and economic prosperity of this country and it requires to be so developed in quality and number as to supply the varying needs of the entire population of India.

22826. 46. The state of organisation and equipment of the textile industry in India as compared with other countries is not favourable and satisfactory. The industry lacks in fine spinning and the weaving of fine styles of cloth in a manner so as to compete effectively with the finished products of foreign mills and factories. The dyeing, bleaching, finishing and printing of cloth are in their infancy and they stand in need of regular and immediate development.

Further the dearth of efficient and skilled labour, want of working capital and expert technical advice are hampering the progress of this industry.

22827. 47. Cloth and yarn are mostly sold in India and are also exported to China, Aden, South Africa, East Africa, Strait Settlements, Egypt, Turkey, Mesopotamia and Persia.

22828. 48. In India the greatest competition in all yarn about 30's single and double comes from the United Kingdom and to a certain extent from Japan.

As regards cloth the Indian market is flooded with cloth from the United Kingdom. Some finer sorts of cloth and drill are coming from the United States of America and some coarser kinds, *e.g.*, drills and long cloths are also coming from Japan.

In China market considerable competition is encountered in yarns up to 20's from Japan. The position of Indian yarns is likely to be hampered seriously in case Japan continues to compete successfully.

As regards cloth Japan is again a competitor with India in East African markets and the Malaya Peninsula. The competition is more serious than that of the United States of America which is mostly periodical. This competition is generally in all classes of goods in varying degrees.

22829. 49. The United Kingdom have the special advantage of its machinery being locally obtainable, its labour being very efficient and its climate quite favourable to the development of the textile industry. As regards Japan cheap labour and State subsidies are the chief factors of advantage.

In regard to America the high quality of its indigenous raw materials is a special advantage.

22830. 50. Our textile industry does need protection. This should be especially in the manufacture of wool, cotton blankets and cloth printing. In order to protect the future stability of the textile industry, we feel the imperative necessity of the repeal of the unfair cotton excise duty, which has for a considerable time operated harshly on the Indian textile industry to the sole advantage of the Lancashire Mills. We would further suggest the imposition of a protective (import) duty of about 15 per cent. for the present, in order to safeguard the future interests of India against destructive competition from foreign countries.

In the case of woollen manufactures, blankets, hosiery and cloth printing they need greater protection in the initial stage of development which may later on be gradually reduced, when they become sufficiently strong to compete successfully with foreign products. The general protective duty of 15 per cent. will safeguard the stability of the present textile industry.

22831. 52. Mostly Japan and periodically United States are in the habit of dumping the Indian markets with their cloth and yarn. We believe that a protective duty suggested above will safeguard the position of the Indian textile industry against the dangers of such dumping.

22832. 53. Depressed exchange tends to make the competition keener to the detriment of the Indian textile industry. The present critical position of the market is to a certain extent due to the abnormal condition of the Exchange.

22833. 54. This phenomenon may be supposed to be temporary but for the last two years the effect on the market is a clear indication of the dangers of abnormal exchange.

22834. 55. The Exchange should be put on a sound basis through the well-regulated monetary system in India so that the evil may be remedied.

22835. 56. The circumstances after the enhancement of the tariff from 1916 have been clouded by abnormal changes in the Exchange and Currency policy to such an extent that it becomes difficult to actually analyze the whole position in its true light.

22836. 58. Yarn is used by the handloom weavers in India to manufacture saris, dhotis, khaddar and several other kinds of cloth on a sufficiently large scale. Certain kind of cloth produced in the mills is also used by dyers in dyeing and finishing the same is also used to prepare tents, bags, etc.

22837. 59. Textile mills consume mill-store materials, *e.g.*, sago, starch, soap, belting, healds, reeds, China clay, zinc, chloride, magnesium chloride, bleaching powder, caustic soda, sulphuric acid to a very large extent as raw materials and we believe that these materials could be manufactured

in India provided sufficient protection and Government support is forthcoming.

22838. 60. We would prefer a system under which industries would receive varying amounts of protection in accordance with their needs.

22839. 61 to 69. As textile manufacturers we do not generally export any special articles except cloth and yarn but we are interested in the export of cotton.

We would likely to suggest the imposition of a moderate export duty on all exports of raw materials and special duty on those which are partially or wholly monopolised by India in the interests of Indian trade and commerce.

22840. 70. We are interested in the import of machinery, millstores, fine yarns all of which are chiefly imported from the United Kingdom.

22841. 71. The circumstances and market conditions have been affected with so many complicated factors from the year 1916 up to date, that it is difficult to analyze the question and to find out the results of the changes in the rates of import duty. For over a year the muddle of Exchange along with the import duties, have contributed to the high cost of machinery and mill-stores. We believe that the machinery and other materials used in the textile mills of India should not be burdened with heavy import duties because the United Kingdom where these materials are largely manufactured secure unprecedented advantages in the safeguard of their future prospects to the detriment of the Indian textile industry. The United Kingdom having cheap good machinery and its own doors with the factories of bobbins shuttles, healds, reeds, leather goods, ring-traveller, roller-skins, China clay, and such other articles of consumption within its own boundaries and efficient and skilled labour coupled with a suitable climate is decidedly in the position of securing permanent competitive advantages against Indian textile industry which lacks in all these facilities. We would strongly recommend free imports of certain machinery and articles which are necessary for the agricultural and industrial progress of the country.

22842. 72. Any appreciable increase in the present tariff rates on the imports of above articles would not necessarily diminish the volume of imports because the textile mills stand in need of them, but would hamper the progress of the textile industry.

22843. 73 to 77. As we are not in favour of Imperial Preference we do not see any necessity of going into the details of these questions.

22844. 78. We would recommend the system of *ad valorem* Custom duties in preference to a fixed charge for a given weight or measure, as the former seems to be equitable and elastic.

22845. 83. In the interests of the Indian textile industry, in which we are chiefly interested, we would like to suggest an import duty of 15 per cent. on all cloth imported in India from foreign countries. There is in fact no serious competition from any other quarter except the United Kingdom and Japan. The past history of this industry is clouded with serious competitive troubles and the abnormal circumstances of the last four or five years which have brought the industry to the position of establishing a stable condition is not likely to continue further if no adequate protection is forthcoming. Keen and destructive competition from foreign countries may at any time seriously affect the stability of this industry and in view of this and also in the light of the various facilitating circumstances of foreign factories which we have enumerated in our answer to Question No. 71, we are strongly of opinion that the future of the industry should be adequately safeguarded.

Oral evidence of Mr. Goverdhandas I. Patel, B.A., Honorary Secretary, the Ahmedabad Millowners' Association Bombay, the 3rd March 1922.

22846. *President.*—*Q.* You represent the Ahmedabad Millowners' Association.

A. Yes.

22847. *Q.* Your Association is interested in the textile industry and to some extent in oil, iron, flour and ice factories.

A. Yes.

22848. *Q.* In answer to Question No. 20 you say that "the burden of the imposition of an import duty is likely to fall on the consumer to a certain extent, but where the margin of profit is very high the consumer may not have to share the burden." Then your Association's view is that the burden which would fall on the consumer will be regulated by other factors including the imposition of import duties.

A. Yes.

22849. *Q.* You have urged the imposition of export duties.

A. Yes.

22850. *Q.* Firstly for the conservation of food-stuffs.

A. Yes.

22851. *Q.* Secondly for the protection of nascent industries.

A. Yes.

22852. *Q.* Thirdly for bargaining and retaliating upon other countries.

A. Yes.

22853. *Q.* Have you considered what effect such a policy would produce on the agricultural classes who are the producers?

A. The agricultural classes would ultimately gain more as a result of such a Policy. At present they produce less but when they would be getting more wages afterwards and more profits. they would produce more and get more. The conditions would be ultimately improved.

22854. *Q.* What do you mean by 'ultimately'?

A. After a few years, 5 or 10 years.

22855. *Q.* In the meantime the present poverty of the people will be accentuated.

A. To a certain extent.

22856. *Q.* You recommend an import duty of 15% on imported piecegoods.

A. Yes.

22857. *Q.* You know that the Government of India have proposed this figure in the recent budget?

A. They have on the contrary increased the figure for local excise duties.

22858. *Q.* An import duty of 15% has been proposed by the Government of India now.

A. Yes. That is the minimum according to our opinion provided the excise duty, even the 3½%, is abolished.

22859. *Q.* I will deal with the excise duty later. You point out in answer to Question No. 49, that the United Kingdom have special advantages over the Indian industry. The first item you indicate is that they obtain machinery locally.

A. Yes.

22860. *Q.* That is to say, at a cheaper rate.

A. That would work out to nearly 20%. We have to pay duty, freight, insurance and the profits of the importing house and to meet other local expenses on this would be to the disadvantage of us in comparison with those people.

22861. *Q.* The disadvantage being represented by interest on additional capital and depreciation.

A. That is a permanent burden. Capital is so shy in India.

22862. *Q.* Assuming that you have got the 20% additional Capital, it would in fact increase the cost of production by reason of the interest on the extra capital *plus* depreciation to the same extent.

A. Yes.

22863. *Q.* That is a disadvantage you have pointed out.

A. Yes.

22864. *Q.* In answer to Question No. 71 you refer to the high cost of machinery and mill-stores and then you say "The United Kingdom having cheap good machinery and its own doors with the factories of bobbins, shuttles, reeds, leather goods, ring-traveller, roller skins, China clay and such other articles of consumption within its own boundaries and efficient and skilled labour coupled with a suitable climate is decidedly in the position of securing permanent competitive advantages against Indian textile industry which lacks in all these facilities." Your point of view is that in addition to the advantages which the industry gets in the direction of cheap machinery, they also secure the stores and the articles you mentioned at much cheaper rates.

A. Because they are produced there.

22865. *Q.* And therefore the cost of production in India is higher than it is in the United Kingdom.

A. Yes.

22866. *Q.* If a duty is imposed on stores, machinery, etc., the actual cost of production would be still further increased

A. Yes.

22867. *Q.* As against this increased cost you have the benefit of freight charges on finished goods from Lancashire to India.

A. What kind of finished goods?

22868. *Q.* Lancashire textile manufactures.

A. Yes.

22869. *Q.* That is substantial.

A. Yes.

22870. *Q.* Can you give us any statement showing the difference between the two. We want to know exactly how the thing operates.

A. I think that it would not be more than 12% against us.

22871. *Q.* Therefore if there is an import duty of 15% without there being an excise duty, your benefit would only be two to three per cent.

A. There are other factors. They compete in our market and we lose our market. When they come to India and when they compete with us in the Indian market, our prices naturally fall down because our quality is inferior.

22872. *Q.* I am not dealing with the industry as a whole. Can you tell us the balance of advantage or disadvantage that accrues to the Indian textile industry by virtue of these different factors, they get their cheap machinery, they get all their stores cheap and they get their skilled labour and as against these, they have to pay freight and other charges to bring their goods to India.

A. If you take into consideration all the expenses to us, the difference would come nearly to 30% including the interest on additional capital.

22873. *Q.* I want you to tell me whether you can work out or whether you have worked out the net difference between the advantages and disadvantages which Lancashire suffers under.

A. It would be something like 18%,

22874. *Q.* That is to say Lancashire has an advantage over the local industry to the extent of 18%.

A. Yes.

22875. *Q.* Therefore even if the proposal to levy an import duty of 15% without an excise duty were granted, there would still be a disadvantage to your industry.

A. That is why we have proposed 15% as minimum in order to equalise factors.

22876. *Q.* Can you give us a statement showing how you arrive at these figures? It is a very important industry and there is a considerable conflict of opinion. We will all be grateful if we get something definite worked out on which we could base some conclusions.

A. At present we get certain styles from Manchester. The same styles were being sold here suppose at R6 a pair. In spite of these circumstances the prices of the foreign goods are lowered to such an extent that our prices have been cut down from R6 to R4½, within the last three months. Still, the foreigners are able to get some profit while we are getting no profit.

22877. *Q.* If you could work out a statement showing the actual advantage or disadvantage which your industry secures under the two different conditions, it would be of great help to us.

A. I would like to submit that later on.

22878. *Q.* You say in your answer to Question No. 52 "Mostly Japan and periodically United States are in the habit of dumping the Indian markets with their cloth and yarn." Will you please explain whateyou man by the word 'dumping' in this reply?

A. When the cost price is more than the selling price, then dumping comes into existence.

22879. *Q.* Can you show on what information or data you base your opinion that mostly Japan and periodically the United States are in the habit of dumping the Indian markets with their cloth; that is to say they are sending goods to India and selling at below cost.

A. As regards Japan some two years ago when the markets had fallen to a great extent, they covered cotton at very cheap rates and they reduced the rates of cut pieces below cost price and it affected the local market. That was a case of dumping.

22880. *Q.* I don't quite follow you.

A. The rate of cotton went very much down. So, on one side Japan covered cotton through speculation and through lower prices, while on the other side it began to sell cloth at a very cheap rate in competition with Indian goods actually losing something on their cloth.

22881. *Q.* On the previous purchase of cotton?

A. Yes

22882. *Q.* That is to say, they were replacing cheap cotton by selling cheap manufactured goods. That is a different transaction. How could you call that dumping because they can manufacture subsequent goods by the purchase of cheap cotton at lower rates and replacing it by the cheaper goods and making a profit.

A. If you calculate their cost price, it will be generally always higher but they are given bounties and subsidies which help them in dumping in the Indian market.

22884. *Q.* You have made that statement in your answer to Question No. 49 "As regards Japan cheap labour and State subsidies are the chief factors of advantage" Have you any authority to show to us that your statement is accurate because we have had representatives of the Japanese Textile Industry and they disclaimed receiving any subsidies or State bounty at all.

A. I think that they admitted receiving subsidies in the latter part of the Statement.

22885. *Q.* They did not, as far as I remember, in the least. They said that the textile industry itself was organised but that there was no State subsidy or bounty. You make a statement that they were given bounties. Can you tell me whether you have any authority on which you have based you opinion?

A. When I was in Japan, I came into contact with certain importing houses and I got the information from those firms actually working in Japan at the time.

22886. *Q.* What do you mean by importing houses?

A. Firms importing from India cotton and such other materials.

22887. *Q.* What year was that?

A. In 1912.

22888. *Q.* Beyond the local knowledge gathered whilst you were in Japan, you have nothing definite to show the correctness of that statement.

A. I remember to have read in some books.

22889. *Q.* Can you send us any authoritative information about that?

A. I shall try to submit a statement on that.

22890. *Sir Manakjee Dadabhoy*:—Q. What is the strength of the Ahmedabad Millowners' Association?

A. 84 including mills and other factories.

22891. *Q.* Will you please let me know how many spinning and weaving mills are there.

A. About 50 spinning and weaving mills.

22892. *Q.* Are they mostly spinning or spinning and weaving?

A. Mostly spinning and weaving. There are 5 to 7 spinning mills and 5 to 7 weaving mills and the rest are spinning and weaving both.

22893. *Q.* Next to Bombay, Ahmedabad represents the textile industry as second.

A. Yes. Considering the incidence of population and the industry, I think that Ahmedabad stands first.

22894. *Q.* There are spinning and weaving mills in other parts of Guzerat besides Ahmedabad, in Surat, Broach, Viramgaum and also in Baroda.

A. Some of these mills are our members.

22895. *Q.* I have read your statement and heard your evidence to-day. I understand that there is no margin of profit in the manufacture of cloth from fine yarn.

A. Yes.

22896. *Q.* It is only on coarser cloth that you make some profit.

A. So far as the present circumstances are concerned.

22897. *Q.* And the position of the mill industry is not so prosperous as it was 12 months ago.

A. No.

22898. *Q.* And you have apprehensions still of gloomier days coming.

A. Yes.

22899. *Q.* On the whole I understand that your Association does not take such a hopeful view of the mill industry as people outside.

A. Because we believe that foreign competition will be very keen.

22900. *Q.* When normal conditions are restored.

A. Yes.

22901. *Q.* Even now you are feeling the pinch of foreign competition so far as finer counts are concerned.

A. Yes.

22902. *Q.* I should like to know from you what effect the increased duty will have on the spinning industry of Ahmedabad?

A. It will affect it. Already the market for yarn in China and other places is adverse.

22903. *Q.* It will be affected still further.

A. The duty is only on cloth and not on yarn.

22904. *Q.* There is 5 per cent. duty on yarn.

A. It is on English yarn.

22905. *Q.* How would the increased excise duty affect the spinning industry as a class?

A. The spinning industry of India or of England?

22906. *Q.* I am speaking of the industry in India. There is spinning and weaving. Weaving pays 7½ per cent. excise duty. Spinning pays no excise but there is a duty on foreign yarn. Is it fair to weaving in comparison with a kindred industry that the weaving industry should be taxed so heavily?

A. Most of the yarn spun locally is used in handlooms in India and a very inconsiderable quantity is exported. So in order to protect the handloom industry there should be no kind of duty on yarn. It ought to be free.

22907. *Q.* Does this 5 per cent. duty affect the handloom industry?

A. To some extent.

22908. *Q.* To what extent?

A. Those who were using finer counts of yarn would be affected. I have a fine weaving mill. It will affect me mostly. I have to pay a duty on English yarn which I am importing on one side and on the other side I have to pay 7½ per cent. *ad valorem* duty on my finished work. I have to pay on the whole 12½ per cent. and the other mills which are weaving from local yarn have to pay according to a particular kind of schedule. Mostly they manufacture grey kind of cloth and therefore there is an important schedule for it and on the basis of the schedule they are taxed. Now the 7½ per cent. excise duty will be a further burden on the weaving sheds which are being maintained by importing yarn from England.

22909. *Q.* Then you have the additional disadvantage of 10 per cent. on machinery.

A. Yes. Further there is the duty on stores.

22910. *Q.* So the cumulative effect of all this would be to handicap the mill industry.

A. That would go to the extent of 30 per cent. I have great apprehensions about the prospect of this industry after two years.

22911. *Q.* That is, when normal conditions are restored and England and foreign countries begin to pour their output in India, it would be serious.

A. Yes.

22912. *Q.* How many new mills are under construction in Ahmedabad?

A. About 5.

22913. *Q.* Have the machinery of these new mills arrived?

A. Some mills have got and others not. Some of the mills are extending and they have yet to get their machinery.

22914. *Q.* So in your opinion the 15 per cent. protection would just contract the effect.

A. Not to the full extent.

22915. *Q.* If the excise duty is abolished and a duty of 15 per cent. is imposed on foreign goods, it would give you enough protection.

A. Yes, that is the minimum I have stated.

22916. *Q.* You have just come from Ahmedabad.

A. Only this morning.

22917. *Q.* Had you any meeting?

A. I have not discussed with the members because we had no meeting during this week and our President is here in Bombay. We are going to send a protest after convening a meeting.

22918. *Q.* Then I understand that the textile industry so far as the Bombay Presidency and even India is concerned, can be called a key industry.

A. Yes. It is one of the staple industries.

22919. *Q.* In one of your answers you say that as regards the measure required to afford necessary protection, we would recommend the imposition of preferential tariff. Are you referring in this general statement to the textile industry?

A. That is with regard to dumping.

22920. *Q.* But dumping may be of various things. I am asking you whether your Association is in favour of heavy tariffs.

A. Yes.

22921. *Q.* The import duty should be put on as high a scale as possible.

A. Only on certain classes and not on all.

22922. *Q.* Heavy tariff will be prejudicial in any way.

A. I don't think so.

22923. *Q.* From the consumer's point of view, your association is prepared to accept this heavy tariff.

A. There would be a slight burden on the consumer.

22924. *Q.* Will you kindly develop this a little further?

A. Suppose an imported article has a profit of 10 per cent. The local manufacturer would be content with 9 per cent. profit in order to guard his position. So, the market rate for the commodity would not be raised so much in India because the manufacturer himself loses some portion of his profit. The rise to the consumer would thus not be appreciable. It won't be more than a particular point.

22925. *Q.* Your argument is that the manufacturer in the case of an increased import duty, will surrender a part of his profit and the middleman also a part of his profit.

A. Yes.

22926. *Q.* So, the burden will be apportioned between the consumer, middleman and the manufacturer.

A. Yes.

22927. *Q.* It is not correct to say that the whole burden is passed on to the consumer.

A. No, it is not correct.

22928. *Q.* If we take the textile industry, you don't think that the entire burden will be passed on to the consumer?

A. No. It would be only in those cases where it is difficult to manufacture those particular commodities in India and India has to depend solely on foreign countries. In that case, if the price rises, then the consumer has to pay to a greater extent.

22929. *Q.* In cases where the foreign manufacturers have a monopoly?

A. Yes.

22930. *Q.* But in that case the masses are not affected, because they consume very little of the imported article?

A. Yes: they are very little affected.

22931. *Q.* Then I see your Association recommends an export duty on cotton. I would like to have your definite views in the present circumstances. At the present moment India produces, with an average crop, 50 lakhs of bales, of which one-third is consumed by the Indian mills; one-third is exported to Japan and ¼ is exported to foreign countries. Would you put an export duty on cotton in the present state of affairs?

A. I would like to put some.

22932. *Q.* How much?

A. A moderate duty.

22933. *Q.* Why?

A. In order to make the manufacturers of our cotton pay more for their raw material and thus handicap them in their competition with us. Those people who manufacture our cotton are selling their goods here.

22934. *Q.* You mean Japan?

A. Japan gets her cotton from us and sends out her manufactured goods to compete with and harm our indigenous manufacture.

22935. *Q.* On that ground you favour a moderate duty on cotton?

A. Yes.

22936. *Q.* What would that moderate duty be?

A. I think about 3 per cent.

22937. *Q.* Will that affect your position?

A. I do not think so.

22938. *Q.* What good will it do you?

A. We will get revenues.

22939. *Q.* Only revenue? Won't it help your industry in any way?

A. Very little.

22940. *Q.* Now, let us take the position of the cultivator. Will it not depreciate the value of his crop?

A. It will hurt him if it is a 5 per cent. duty; but this 3 per cent. duty will not.

22941. *Q.* If a five per cent. duty would not hurt him?

A. Then, I would recommend that.

22942. *Q.* Is this the opinion of your Association or your individual opinion?

A. I have not discussed this question thoroughly with them. This is my opinion.

22943. *Q.* You also recommend an export duty on foodstuffs in view of the many famines in India during the last 30 years. Your idea is to keep the foodstuffs in this country. Could not that be achieved by total prohibition?

A. In famine years there may be total prohibition.

22944. *Q.* Why do you recommend an export duty then? Would you qualify your statement or would you stick to your statement?

A. I believe Burma rice is exported as a surplus product. If there is a surplus then India must have the advantage of exporting it.

22945. *Q.* You are in favour of allowing exports if there is a surplus?

A. Yes, if there is a surplus.

22946. *Q.* Will you export that surplus with duty or without duty?

A. With duty. In the case of famine there should be total prohibition, and in the case of a surplus, it should be allowed to be exported with duty.

22947. *Q.* Would you qualify your general statement to that extent?

A. Yes.

22948. *Q.* In answer to Question No. 46 you say: "The dyeing, bleaching, finishing and printing of cloth are in their infancy and they stand in need of regular and immediate development." Do you want any special aid in this line? Besides the 15 per cent. duty you advocate is there any other form of protection you advocate?

A. At present these kinds of cloth are imported from foreign countries, and the textile industry of India is still backward in the competition in the best qualities, and therefore, this particular branch of the textile industry should be given a better facility than the major portion.

22949. *Q.* What do you mean by "better facility"?

A. On certain bleached stuffs imported from foreign countries there should be a still higher duty.

22950. *Q.* I understand the 15 per cent. you advocate is only for grey cloth?

A. Mostly for grey cloth.

22951. *Q.* On coloured cloth you want a heavier duty than 15 per cent.

A. Yes.

22952. *Q.* Are your mills manufacturing bleached and coloured cloth?

A. Not those finer qualities which are imported.

22953. *Q.* How will the duty help you?

A. It will help those mills which are now manufacturing.

22954. *Q.* You say if this duty is put on the mills in India would go a step further?

A. Yes.

22955. *Q.* Have you any suggestions to make besides the increase of duty?

A. Machinery for this particular extension should be duty free. Calico printing requires a special kind of machinery. There is hardly any satisfactory calico printing in India. So, if a mill wants to take up calico printing, it should get its machinery free of duty and sufficient protection should be given to it.

22956. *Q.* Have you got labour?

A. Labour can be trained.

22957. *Q.* I understand from your answer that the conditions of this country are such that you can train your labour for any class of work provided that work is made paying in its initial stage?

A. Yes.

22958. *Mr. Mant.*—*Q.* I did not quite follow what you said to the President about the advantage of 18 per cent. which Lancashire enjoyed.

The President.—The total advantage is 30 per cent.; the balance is 18 per cent.

22959. *Mr. R. A. Mant.*—What do you mean by the advantage?

A. Suppose I start two mills, one in England and another at Ahmedabad, if for the mill started in England I have to pay 5 lakhs on the machinery, the same class of machinery brought to India and put up at Ahmedabad would cost me 6 lakhs. So, I have to spend one lakh more on the machinery of the mill in Ahmedabad. Secondly we consume a lot of stores in the mill everyday. On the average a mill will consume about 3 lakhs worth of stores. These stores are manufactured in England and the Lancashire mills get them at their doors, but we have to import them and we have to pay the freight and the profits of the importing houses.

22960. *Q.* I want to know what is meant by the term "18 per cent. advantage."

A. Their cost of production will be 18 per cent. less than ours.

22961. *Q.* You have to pay 18 per cent. more on machinery and stores?

A. There is also the difference between their skilled labour and our unskilled labour. Suppose two pieces of the same kind are manufactured, one in a Bombay mill and another in a Manchester mill, there will be a difference in quality. If you go to sell those two pieces in the market, the Indian cloth will sell at a lower price.

22962. *Q.* How do you work out this 18 per cent?

A. The advantage of 30 per cent. less the 11 per cent. duty.

22963. *Q.* Do you mean that you have to invest 18 per cent. more capital than they have to invest in Lancashire, or do you mean that it costs you 18 per cent. more to produce cloth?

A. It is a total of three things, initial cost on machinery *plus* working expenses less the import duty.

22964. *Q.* Then, you are adding up quite different things?

A. Yes.

22965. *Q.* Could you separate them? How much of this 18 per cent. is extra capital and how much is extra working expenses?

A. I think I would put the figure for the whole at 30 per cent. Mill stores is an item of daily consumption while the machinery item is a fixed one. So, I would take 15 per cent. on machinery and initial cost, and the rest 15 per cent. as the actual daily running cost and the difference between skilled and unskilled labour.

22966. *Q.* You say you have to invest 15 per cent. more on a mill in Ahmedabad than on a mill in Lancashire?

A. Yes.

22967. *Q.* And that your working expenses are higher by 15 per cent.?

A. Yes. China clay, zinc chloride, magnesium chloride, bleaching powder, caustic soda, reeds, and spare parts of machinery, all these things are generally daily consumed in a mill. They get these things cheaper in England.

22968. *Q.* That is, where in Lancashire they have to spend £100, you have to spend £115. That is only on these particular materials? That is not on all materials?

A. No, only on those things which are imported from England.

22969. *Q.* Can you tell me whether your mills at Ahmedabad are at a disadvantage as compared with the mills at Bombay?

A. I think we are at some disadvantage.

22970. *Q.* In what respect?

A. There are various factors,—the efficiency of labour, and the outlay of capital.

22971. *Q.* Bombay labour is better than Ahmedabad labour?

A. Yes, in efficiency.

22972. *Q.* And what is the other disadvantage?

A. Generally the Ahmedabad people have to stock their cotton for a longer time than the Bombay people. We have to buy during two seasons and stock. In Bombay they need not stock; they can buy at convenient intervals, because in Bombay the mill agent can buy as many as bales as he likes at any time. That is not the case in Ahmedabad.

22973. *Q.* Why can't you buy so in Ahmedabad?

A. There is no cotton grain there.

22974. *Q.* You have enumerated labour and market for raw materials. Is there any other disadvantage?

A. The Ahmedabad mills manufacture mostly heavy sized goods. The schedule applied to the Bombay mills, if applied to us, would put us at a disadvantage.

22975. *Q.* That is a matter of tariff valuation?

A. It represents a great deal.

22976. *Q.* You can represent that to the authorities. That is not an irremovable disadvantage.

A. Yes.

22977. *Q.* So, your disadvantages are inefficiency of labour and want of a market for the purchase of cotton. Do these disadvantages make a difference in the dividends that your mills are paying?

A. I think the profits of the Ahmedabad mills are less than those of Bombay mills.

22978. *Q.* What amount of dividend you pay?

A. If a mill earns 1 lakh in Ahmedabad we distribute Rs. 75,000 as dividend: in Bombay a mill earning more than a lakh may distribute only Rs. 75,000.

22979. *Q.* You have been paying just as good dividends, but they have been taking more to their reserves?

A. They may be keeping it as a reserve fund.

22980. *Q.* Have you been paying as good dividends as the Bombay mills?

A. Some of the Ahmedabad mills have paid better than Bombay.

22981. *Q.* What I really want to understand, or have failed to understand so far—is why the Bombay mills as represented by the Bombay Mill-Owners' Association—that is another body that appeared before us—were quite satisfied with the present rate of protection which the cotton industry enjoyed—they only asked for protection with respect to one or two minor products, *e.g.* cotton hosiery and cotton blankets—but the Ahmedabad mill owners ask for double the measure of protection.

A. I can prove our case from the figures I have given.

22982. *Q.* It is not owing to your being worse off than Bombay, but it is only owing to *their* shortsightedness?

A. I cannot say anything as to that.

22983. *Q.* You cannot explain why they are satisfied with 7½ per cent. protection and you want 15 per cent.?

A. There might be more foreign element in Bombay than in Ahmedabad.

22984. *Q.* "There might be!" You know the constitution of the Bombay Mill-Owners' Association. There is no use saying "There might be." Do you know if there is?

A. There is some foreign element in Bombay whose interests are represented in the Bombay Mill-Owners' Association. There is more European element represented in the Bombay Association than in our Association.

22985. *Q.* Are they in a majority in the Bombay Mill-Owners' Association?

A. That I do not know.

22986. *Q.* You do not know whether the Europeans form a majority in the Bombay Mill-Owners' Association?

A. No.

22987. *Q.* You told us that you know the constitution of the Bombay Association!

A. I do not know the exact number.

22988. *Q.* Let us get it plainly. You do not know whether there is a majority of Europeans or not?

A. I do not know.

22989. *Q.* Well, then, I won't ask any further question.

A. Even if they are in a minority they will wield some influence. May I know if the Bombay Association sent in two statements or if they sent two kinds of witnesses?

The President:—*Q.* They sent in only one statement and one kind of witnesses. There was difference of opinion only on one or two points. There was difference of opinion on Imperial Preference.

Mr. Munt:—But they were agreed on this particular question, the degree of protection.

22990. *Q.* You won't say that the Bombay Mill-Owners' Association did not ask for further protection because they have a majority of Europeans.

A. There may be a minority of Europeans, but they will carry some influence.

22991. *Q.* I asked you whether there was a majority of Europeans and you said you did not know.

A. I cannot say there is a majority.

22992. *Q.* Supposing there is a majority, as you rather suggest, why should European mill-owners advise us against their own interest? Surely it is equally to the advantage of the European mill-owners to make profits as it is to the Indian mill-owners!

A. They may advise you in order to patronise their own countrymen.

22993. *Q.* You say that the European owners of the mills here would make smaller profits in order to patronise Lancashire!

A. Yes, because the profits of the whole country is a greater entity than the profits of individual men.

22994. *Q.* They would make smaller profits in order to benefit Lancashire?

A. I may make that statement.

22995. *Q.* Can you not make a definite statement?

A. I cannot.

22996. *Q.* You are not making a definite statement.

A. (No answer).

22997. *Sir Montagu Webb*:—I think the witness has said that the Europeans do exercise an influence.

The President:—The witness has stated that in the interests of their country, the Europeans would make less profit.

Sir Montagu Webb:—As a matter of fact I take it that there are many European shareholders in Indian managed mills and many Indian shareholders in European managed mills.

22998. *Mr. Rhodes*:—*Q.* On the question of mill stores, are they a very large item of running cost?

A. They are a regular item of consumption.

22999. *Q.* A very big item? Rather an important one?

A. Yes.

23000. *Q.* Will the recent rise in duty act as a protection to the starting of a local industry in mill stores?

A. There is no store industry at present and there is no likelihood of their starting.

23001. *Q.* Will the duty help them to start? Are there a great many things that can be made locally if you have a protective duty of 15 per cent?

A. I think our first object should be rather to carry the textile industry to a still geater level of development than to go in for the manufacture of these small things at present.

23002. *Q.* You would not advocate protection for the mill store industry?

A. No. At present I would have protection for the mill industry, and when that is fully developed I would think of having protection for minor things.

23003. *Q.* You do not think that the mill industry is sufficiently established, and we can go in for developing the subsidiary industries?

A. I do not think that the mill industry is sufficiently established.

23004. *Q.* Are there any Northrop looms in Bombay?

A. There are some in Ahmedabad. Some have been got by Mr. Ambalal.

23005. *Q.* Why do they take it?

A. They can work with a less number of labourers.

23006. *Q.* I thought your object in asking protection was to find labour for all the teeming millions of India.

A. (No answer.)

23007. *Q.* How many men look after a Northrop loom?

A. I do not know in this country. I know in England one loom is worked by 20.

23008. *Q.* You might require twice as many men in this country?

A. Yes.

23009. *Q.* About the question of tariff valuation. How do the tariff valuations at present in force compare with the prices you are getting for your goods?

A. You mean the present standard?

23010. *Q.* You have your tariff valuations on which you pay excise duty. You realise a certain price. How do the two compare? Will you name any cloth that you turn out and give me the price you realise for it and the tariff valuation for it?

A. If a piece is sold at Rs. 4 per lb.....

23011. *Q.* That is a very good quality?

A. Yes.

23012. *Q.* What would be the tariff valuation?

A. Rs. 3½.

23013. *Q.* You don't pay *ad valorem*, but on tariff valuation?

A. We pay on tariff valuation.

23014. *Q.* If a piece is selling at Re. 1-10 what would be the tariff valuation for that?

A. Rs. 3-8-0.

23015. *Q.* At present the tariff valuation is higher than the actual realisation in sale?

A. Yes.

23016. *Q.* There is only one other question. In reply to Sir Manakjee Dadhabhoy you said that the cotton industry was a key industry. What do you exactly mean by that?

A. Certain industry in a country on which the greatest good of the country depends, or which is the greatest industry of the country.

23017. *Q.* You mean the large industry? You do not mean the industry on which an other industry depends?

A. Yes, that is closely bound up.

23018. *Q.* I mean by key industry an industry which is necessary for other industries.

A. I do not take it in that light. I mean by it just as in America certain key industries are supposed to be the best industries in the country.

23019. *Mr. Seshagiri Ayyar*.—As regards the working expenses, I should like to know how you arrive at the 18 per cent. difference in the working of the Indian and the Home mills? I do not want to know the details. What I want to know is whether the difference is in the cost of setting up the mills.

A. It is working and initial expenses both combined.

23020. *Q.* That is to set up the mill?

A. Yes and working up the mills.

23021. *Q.* Take a mill in Ahmedabad and a mill in Lancashire. Do you mean to say that to set up the mill and put it in working order it will cost 18 per cent. more in Indian than in England?

A. Not in that way. Take the machinery, if you put the machinery in a mill in Manchester and if you put the same machinery in Ahmedabad, then the difference in cost between the two would cover to a certain extent. That is one item. Secondly come the mill stores. These cost more in India than in Manchester.

23022. *Q.* Would you not set off against these the cheap labour that you get here?

A. Though the labour is cheap it is less skilled. There is the disadvantage.

23023. *Q.* You do not think the cheapness of labour counterbalances the disadvantages you suffer?

A. No. Suppose I have two mills, one in Manchester and another in Bombay. I turn out the same kind of cloth

both in Manchester and in Bombay. The cloth made in Manchester will bring in better price than the one manufactured in Bombay because of the skillness of labour in Manchester.

23024. *Q.* So far as you are concerned there is no competition in that way, because the English cloth is of finer count than the Indian. Therefore there is no competition that would form a basis of comparison.

A. In certain cases there is competition, such as in the case of drills, shirtings, etc., which are manufactured both in the Bombay mills and in Manchester. There is keen competition.

23025. *Q.* I have been told that there is hardly any competition between Manchester goods and Bombay goods and I would like you to tell me to what extent there is competition between Lancashire and Bombay.

A. There is a kind of keen competition in eight or ten kinds of cloths.

23026. *Q.* As regards the actual weight of cloth is there any competition whatever?

A. Not in the lower counts.

23027. *Q.* Higher counts you do not manufacture?

A. Some mills in Ahmedabad manufacture 40, 60 and 70 counts.

23028. *Q.* Ordinarily the counts are below 30?

A. 20 and 30 are generally the standards.

23029. *Q.* Therefore in the manufacture of cloths of ordinary counts there is hardly any competition between Lancashire and India?

A. No.

23030. *Q.* I was rather puzzled to understand your statement that there is a difference of 18 per cent. between what is being incurred in Lancashire and what is being incurred in Ahmedabad. You have explained fairly fully the difference in cost of the several items that go to make up the difference.

A. Yes.

23031. *Q.* As regards foodstuffs, I think you suggested in answer to the President or Sir Manakjee Dadhabhoy that as a matter of fact we are producing less, that is the production in this country is less than what is required.

A. I think it would sufficiently cover our requirements if there is no export.

23032. *Q.* If there is export you think the people will have to suffer the consequences of scarcity?

A. Yes, if there is no surplus.

23033. *Q.* If you put a duty on foodstuffs, would that not have the effect of lessening the area under cultivation?

A. I do not think so.

23034. *Q.* If I produce a certain quantity of food crops and if that would sell at a particular rate, I would be tempted to go on with that. On the other hand if I am told that in consequence of putting a duty on exports, the value might be less, certainly I would take to some other money crop, won't I?

A. My statement is, if there is a surplus it should be exported.

23035. *Q.* Suppose you put a general duty.

A. I do not wish to put a general duty. I wish to put a duty on foodstuff which is surplus.

23036. *Q.* How can you say in a particular year there will be famine or not? The country is visited by periodical famines.

A. As soon as famine is declared in a particular year, exports should be prohibited.

23037. *Q.* You say that there should be prohibition of exports when there is shortage of foodstuffs. Are you in favour of putting an export duty on foodstuffs?

A. Yes, provided there is surplus. I am first for prohibition of any kind of foodstuffs going out of the country. I believe famines generally come at the end of three or four years. So if there is some surplus it ought to be reserved in the country.

23038. *Q.* Take rice for example. Do you think that we should retain it in anticipation of famine?

A. It should be allowed to be exported.

23039. *Q.* If you are going to put an export duty, would it not affect the cultivator?

A. I advocate only 3 to 5 per cent., not more. It is insignificant so far as the individual cultivator is concerned.

23040. *Q.* It will certainly tell heavily upon the producer of grain.

A. I do not think that 3 per cent. will be a great burden. He will get compensating benefit.

23041. *Q.* What compensating benefit?

A. The market for rice is permanently secured.

23042. *Q.* There is a cry from landowners against any restriction being imposed or any duty being levied upon foodstuffs. Have you considered that question? Have you heard any landlord mention that?

A. I am myself a landowner.

23043. *Q.* If I am not considered inquisitive, may I know what kind of landowner you are?

A. I am a pattadar.

23044. *Q.* What kinds of grain do you grow?

A. Rice, wheat and all cereals.

23045. *Q.* Do you think, if there is an export duty on paddy, your position would be better than it is at present?

A. I think it would be better.

23046. *Q.* You must then be very optimistic. As regards yarn, if there is a duty on it, that would certainly hit the handloom industry, won't it?

A. Yes.

23047. *Q.* Do you know the extent of the finer counts of yarn that the handloom industry gets?

A. I can say that about 40 per cent. of the imported yarn are being used by the handloom industry.

23048. *Q.* I think it is 95 per cent. 4·76 crores of yarn were imported in this country and according to one gentleman who knows something of this matter, nearly 4·25 crores are being utilised by the handloom industry and very little is being utilised by the power industry. Do you know the present state of the handloom industry?

A. It is in a very bad condition.

23049. *Q.* When you advocate the duty, you suggest that the handloom weavers should be further hit?

A. I do not wish that. I wish that the duty on yarn should be wholly abolished.

23050. *Mr. Coyajee.*—You observed in answer to Sir Manakjee Dadhabhoy that for some months past Lancashire has been underselling Bombay considerably. What is the cause of that?

A. There are several causes. It is on account of their surplus stock in the market, and

23051. *Q.* Because of the exchange?

A. Yes, and secondly the effect of the swadeshi movement.

23052. *Q.* So this underselling is purely a temporary and abnormal phenomenon due to exchange miscalculation and the swadeshi movement?

A. Yes.

23053. *Q.* The other day we had a great Bombay cotton expert before us and he expressed the view that if the excise duty and the import duty were increased *pari passu*, that is equally, the local cotton industry need not be hit. What is your view?

A. I hold an opposite view.

23054. *Q.* I will give you his argument and then you may criticise it. His argument is this. If you increase the import duty on Lancashire, you restrict their imports to a certain extent. That increases the demand for locally made cloths, isn't it? People buy less of foreign cloths and the demand for our cloths increases. Therefore the price of our cloth increases. The price may rise to more than three and and a half per cent. Therefore the excise duty is not felt by the consumer nor by the producer. That is his argument. I invite your criticism on this point.

A. As I told you previously the foreign mills are decidedly in a superior position in comparison with the local mills. So, if they wish to sell at a lower rate they are not to sacrifice their profits. But if the Indian mills desire to sacrifice their profits they would not be standing in the way of the foreign mills, but they themselves would be wiped out against these competitors, because the foreign mills are decidedly in a position of advantage. The local mills are unable to produce those particular styles of cloth that is manufactured in Lancashire. If this excise duty is continued the profits of the mills here will be decidedly less than what they are to-day. I apprehend that the profits of the coming year will be less than the present year, the present year's profits will be less than the past year. Within two years we will be in competition with the foreign imported goods.

23055. *Q.* When that condition arrives, all this theory is simply an adage. I am not an expert and I am only giving the views of the expert.

Witness: Was he an Indian?

Mr. Coyajee: Yes, he was an Indian.

Witness: I am much surprised to hear it.

23056. *Q.* Do you agree that if price of Lancashire cloth rises the price of our cloth would follow suit?

A. Not necessarily.

23057. *Q.* Why? If my competitor is selling at a high rate, why should I also not do so?

A. Because the competition is not in those particular styles. It is altogether in different styles.

23058. *Q.* All cloths can be considered to be in a sort of competitive relationship to each other. Therefore if the price of one competitor rises there is a chance of the prices of the other rising up.

A. It depends on market conditions. It may or may not rise. If there is a surplus, the price may not rise.

23059. *Q.* In normal conditions ?

A. It may rise to a certain extent.

23060. *Q.* Now what prevents the introduction of Northrop mills in Bombay and Ahmedabad.

A. I think they have not sufficient time to go in for new things, because they are too busy with the present things. Secondly, labour is not yet trained to that extent.

23061. *Q.* This swadeshi movement, has it had any influence in the trade in the local made cloth ?

A. Yes.

23062 *Q.* Has it hit it or benefited it ?

A. For the last two months it has been hit.

23063. *Q.* This political movement has affected the demand for local made cloth ?

A. Yes, because merchants are afraid to keep large stocks owing to the present political situation.

23064. *Q.* Do your Ahemdabad mills import English and Japanese yarn ?

A. Yes. All the mills generally use foreign yarns. Japanese yarns are also used when they are cheaper than the English yarns.

23065. *Q.* I understand you have been to Japan and visited the mills there.

A. Yes.

23066. *Q.* How does the organisation and labour there compare with the labour and organisation here ?

A. The labour there is very cheap and efficient.

23067. *Q.* They pay smaller wages than here ?

A. Yes.

23068. *Q.* What do you think of the organisation, I mean the employing class and their enterprise ? What do you think of the managers and employers ?

A. I have not got any definite opinion.

23069. *Sir Montague Webb.*—*Q.* I have been rather surprised to look at this evidence and to hear of the great advantage which you consider Lancashire mills enjoy over Indian mills. I confess I have heard it suggested that the position is exactly the reverse, that in the case of the erection of a mill in Lancashire although it is quite true that machinery is cheaper, the cost of land and particularly the cost of buildings and other arrangements are very much higher. Then again it is said that the cost of labour is higher there than here. You say it is more efficient. Then you do not mention the handicap which presumably they suffer from in having to import cotton from all parts of the world and in having to ship the manufactured products to the remotest corners of the earth, whereas your market is close at hand...

A. Do you mean to say that yarn is imported by Manchester ?

23070. *Q.* I mean raw cotton. They have to buy raw materials and they have to send the manufactured goods to remote provinces for sale, which they feel a great handicap as compared with the Indian mills who sell in the markets close at hand. And then recently I have heard great complaints about exchanges. The exchange is a very great handicap. I hear that these handicaps cover up to the extent of 30 or 40 per cent. against Lancashire. I therefore was surprised to hear you express as an expert cotton millowner that you feel the disadvantages the other way.

A. Yes. Just as I have explained, the cost of land and the erection, etc., might be much more in England than in India. But the power of working and the tenacity of pursuit will be much more in England than it will be in India. That is an advantage. Secondly, as regards the head machinery, if you take the statement of account for the money actually spent in machinery for a mill there and if you take the statement of account for the same machinery brought into India.

23071. *Q.* That is quite true ; I have not questioned that. I refer to certain other points. I come to the last point. I am now impressed that Lancashire mills are so seriously overcapitalised that people think that 75 per cent. are going into bankruptcy and that they cannot compete with India at all. That is a handicap that is so serious as to cause a temporary suspension of business. I have some connection with the Lancashire mill industry and the period is one of very serious depression.

A. It is only a period of depression there whereas in India it is a period of liquidation.

23072. *Q.* Liquidation may take place on the other side. We also fear the same thing in a few years. Many witnesses who came before us in Bombay appear to be apprehensive of disasters to Indian industries. I think the situation appears to be promising. I have to do with mill industry myself.

A. Are you running any mills ?

23073. *Q.* Yes.

A. Then experiences differ.

23074. *Q.* On the subject of export duties (reply to questions 61 to 69) you say you would suggest moderate export duties on all raw materials.

A. Yes.

23075. *Q.* You have no apprehension that you are hitting the unfortunate agriculturists on both cheeks.

A. I have already qualified my statement to a certain extent. 'A moderate export duty on all exports of raw materials and special duty on those which are partially or wholly monopolised by India,' I have said that.

23076. *Q.* But the 'moderate duty on all raw materials'?

A. Yes.

23077. *Q.* On both ?

A. Yes.

23078. *Q.* That duty surely in most cases must fall on the agriculturists ?

A. I don't believe so.

23079. *Q.* Who has got to pay the duty ?

A. Some portion will go to the agriculturist, some to the middlemen and some portion to the exporting houses.

23080. *Q.* Do you think the middlemen will forego his commission and so forth ?

A. Of course, he ought to reduce when the market conditions change.

23081. *Q.* I have had considerable experience of middlemen and my experience is that the middleman is always there with his commission whatever happens to the price at the extreme ends of the scale. I do not think the middleman will share the loss with the manufacturer or producer.

A. Sometimes middlemen sacrifice their profits.

23082. *Q.* Your reply to question 53. Will you explain a little more fully what you mean by 'depressed exchange tends to make the competition keener to the detriment of the Indian textile industry'? What exchange are you referring to?

A. The mills have to pay more money than they ought to have paid. Suppose you have imported your machinery say in 1920 and the machinery is being received by you at the end of two years or so. Your calculations at the time of sending your order would be different from the calculations at the time you get the machinery.

23083. *Q.* You prefer that the sterling exchange should not fall, and that it should be at 2s.

A. No, no.

23084. *Q.* What exactly do you mean ?

A. There should be a fixed limit of exchange say 1*s.* 4*d.* or 1*s.* 4½*d.*, so that people may be able to base their calculations on that.

23085. *Q.* That is altogether a different point. You say 'depressed exchange tends to make the competition keener'. I do not understand that at all. How does it make competition keener? Do you think that the more the exchange goes down the Indian mills will be hit ?

A. It should not go so much down nor should it go so much up in order to protect the export and import on both sides.

23086. *Q.* When you say that depressed exchange is detrimental do you mean to say that you do not want the exchange to fluctuate at all ?

A. It may fluctuate to a small extent, say one penny or so.

23087. *Q.* It is entirely a new idea that depressed exchange is bad for cotton industry.

A. In our district there are more than half a dozen mills constructed. Most of them are going into liquidation on account of this foreign exchange.

23088. *Q.* That is very unfortunate.

President :—You say that Lancashire has amongst other advantages the advantage of skilled labour, that is to say, you mean more efficient labour. Now the actual wages to the Lancashire workmen is considerably higher per unit that it is in India, isn't it so ? Why do you say that Lancashire has an advantage in the matter of her labour supply. What I want to point out is that the cost of labour affects the cost of production to a certain extent.

A. Yes.

23089. *Q.* Is it your view that in consequence of the inefficient, though cheap, labour, the cost of production per unit in India is higher than the cost of production for the same unit in Lancashire.

A. Yes. The cost per unit would be higher in India, though the wages are lower because of the inefficiency.

23090. *Q.* Can you substantiate that statement by giving any data ? It is a very important point. You claim that

because England has an advantage of skilled labour, she produces more cheaply than India, that is to say, in the matter of actual cost of production, the labour in England is cheaper than that of India.

A. Take for example 20 looms working in a mill at Manchester. One man is attending to those 20 looms. He is paid Rs. 100 a month. Take for example a mill in India working 20 looms. It engages 10 men who get Rs. 30 each. It amounts to 300 a month.

23091. *Q.* Can you send us an authoritative statement showing how the cost of production in England is cheaper than the cost of production in India because of her cheap labour.

A. Yes.

Witness No. 143.

Written statement of Sir ALFRED CHATTERTON, Industrial Adviser, The Tata Industrial Bank, Limited, Bombay, dated the 2nd March 1922.

23092. It is urgently necessary that in India a modern industrial system should be established so that, as far as possible, in essential requirements the country should be independent of foreign sources of supply. I am, therefore, in favour of any measures, including protective import duties, that will help us to achieve this object.

23093. The present sources of revenue are inadequate to meet the cost of administration and as new forms of direct taxation are not likely to yield the amount that is required, whilst they are bound to be extremely unpopular, there seems to be no alternative but to impose import duties primarily for revenue purposes. There is no practical limit to the expenditure which the Imperial and Provincial Governments might judiciously incur if funds were available. The revenue duties should, therefore, be framed to bring in the maximum return.

23094. It would, I think, be advantageous to render the Imperial Government as far as possible independent of Provincial contributions and this might be effected by a scientifically devised revenue tariff. Native States, not unnaturally, are claiming to participate in customs revenue and it is certain that their financial obligations to the Government of India will have to be readjusted as the revenue tariff I advocate will mean a large increase in indirect taxation which will reduce their resources and render it difficult for them to meet the increase in their expenditure necessary to maintain a standard of administration comparable with the British Provinces alongside them. I consider it is possible to very greatly increase the revenue by increasing the import duties; but I am not in favour of a uniform tariff. With but few exceptions, rates should be fixed so as to obtain the maximum return.

23095. The extent to which a revenue tariff will stimulate industrial development is uncertain and depends largely upon the rate of exchange. It may, I think, be anticipated that a revenue tariff will restrict importations to some extent and this will tend to create a balance of trade favourable to India and to the establishment therefore of a high rate of exchange. On the other hand, the high rate of exchange will tend to reduce exports certainly in value as expressed in rupees if not in volume. The effect of high import duties therefore will to some extent be discounted by the rise in the value of the rupee. From this I draw the conclusion that import duties for revenue purposes may be very largely increased without seriously affecting the price of imported goods. The initial rise may be considerable; but it will gradually disappear as the rate of exchange increases. The rupee is the real unit in which comparative estimates of labour values are made and the greater its exchange value, the greater we may take it is the exchange value of Indian labour relative to that of any other country. It is therefore desirable that it should have a high rather than a low value.

23096. I am wholly opposed to the levy of Excise duties as vexatious and inequitable, except where it is necessary to control the trade, and to any kind of restriction on the establishment of industries in the country with outside capital. The public interests demand an effective internal competition to secure efficiency in industry and prevent the growth of monopolistic tendencies.

India will never obtain a well balanced industrial system till attention is directed to the Mechanical Engineering industries to a much greater extent than has hitherto been the case. I am therefore totally opposed to specially favourable tariffs for iron and steel machinery and plant. The mills, factories and other industrial undertakings that enjoy the benefit of a revenue tariff can well afford to pay import duties on the same scale for their machinery and plant. I have considered the special case of machinery for agriculture, the use of which, I admit, it is very desirable to encourage; but this end is more likely to be reached when such machinery is locally made than when it is imported. No exception, therefore, is necessary.

23097. It is essential that the engineering industries should be developed and to achieve this, they should at least enjoy the same measure of protection as the manufacturing industries. If more than this is necessary, I should be in favour of even higher duties as it is a vital matter to the safety of the country that it should cease to be dependent on a base of 6,000 miles away, the line of communications with which is so extremely vulnerable. Similarly, it is necessary to develop our coal fields and our sources of water power and I would not admit foreign coal free of duty into the country except for bunkering. A cheap local supply of fuel is desirable; but in the long run, fuel and power will be cheapest if the local resources are properly and efficiently developed.

23098. The sugar industry in India is in need of special treatment and this is recognised already by the 15 per cent. duty levied on imported sugar. India ought to be self-supporting in the matter of sugar; but this can only be effected by weaning the ryots from their wasteful methods of converting the cane into jaggery. The duties on sugar might well be 50 per cent. instead of 15 per cent. and there should be a heavy duty on molasses. This would help to bring home the advantages of a more perfect method of extraction combined with suitable purification or refinement. The manufacture of jaggery or gur entails a total loss to India of at least thirty crores a year and possibly more. To eliminate this waste and at the same time obtain a substantial increment to the revenues makes an overwhelming case for enhanced sugar duties.

23099. The Silk industry in India might also be greatly expanded by analogous treatment. But no Fiscal policy will alone achieve this end. It is for the Departments of Industries and Agriculture to initiate the improvements which are possible. Protective duties will only protect when they impede imports and their justification can only be ensured when suitable measures are taken in India to obtain the object in view.

23100. I regard export duties as only justifiable when applied to materials, the supply of which from India is a controlling factor in the world markets or when it is necessary to restrict exports. Temporary export duties on wheat or rice are, I think, preferable to partial or complete prohibition.

23101. With revenue duties imposed to yield a maximum return it will be possible to grant Imperial preference more by special terms for certain classes of imports than by a small general reduction in the tariff. It is desirable for instance that aluminium should be produced in India; but till the Indian market is larger, it will hardly pay to set up works. To encourage the use of the metal in India and to support the British Empire industry, the metal from the British Isles and Canada should be admitted free till production is possible in India and then the local industry should receive such measure of protection as the circumstances demand. Similar methods might be pursued with other possible electro-chemical industries. There is no question but that dye stuffs of British origin should receive preferential treatment. Whoever secures the Indian market in dye stuffs will secure the pre-eminence in the world in that branch of Industrial Chemistry and obviously it should not be allowed to remain in Germany without a serious effort to capture the Empire trade.

Oral evidence of Sir ALFRED CHATTERTON, Industrial Adviser, The Tata Industrial Bank, Limited, Bombay, dated 3rd March 1922.

23102. *President.*—*Q.* You are an Industrial Adviser to the Tata Industrial Bank.

A. Yes.

23103. *Q.* And before you took up this appointment you were engaged in industrial work in the Mrdras Presidency.

A. Yes and in Mysore. I am still mainly engaged in Mysore.

23104. *Q.* You are of opinion that it is urgently necessary that in India a modern industrial system should be established so that, as far as possible, in essential requirements the country should be independent of foreign sources of supply, and that you are therefore in favour of any measures, including protective import duties that will help to achieve this object.

A. Yes.

23105. *Q.* You say that you would so regulate the tariff for revenue purposes as to obtain the maximum return.

A. Yes.

23106. *Q.* Now if the protective policy is applied, there may be cases when in consequence of the duties being high revenue might be appreciably decreased.

A. Quite so.

23107. *Q.* What would be your attitude in that case? Supposing there is a case in which you wish to develop an industry and for that purpose you impose a high protective duty the effect of which might be a reduction in the revenue which the Government would secure, what would be your attitude in that case? Would you then give revenue the primary consideration or protective policy the primary consideration?

A. When it is desirable to protect an industry so as to establish in the country it is obvious that you must sacrifice the revenue duty.

23108. *Q.* You say "I am wholly opposed to the levy of excise duties as vexatious and inequitable, except where it is necessary to control the trade." Will you please explain what you mean by that exception?

A. Excise duties on liquor and articles of that kind.

23809. *Q.* That is the only exception.

A. Yes, drugs and so forth.

23110. *Q.* You strongly advocate the development of mechanical engineering industries.

A. Yes.

23111. *Q.* You think that in the national interests of India it is a vital matter to the safety of the country that it should cease to be dependent on a base of 6,000 miles away, the line of communications with which is so extremely vulnerable. In view of that fact you would advocate at any cost the establishment of industries for national defence.

A. Undoubtedly.

23112. *Q.* And then your written statement about the sugar industry is very, very interesting. You point out that in the manufacture of jaggery India loses about thirty crores of rupees a year and that you would take measures for pointing out the advantages of a more perfect method of extraction combined with purification or refinement. Will you please elaborate that point a little more fully?

A. At present there is an area of something like three million acres under sugarcane in this country and roughly I think about 95 per cent. of the produce from that area is converted into gur or jaggery. This is done all over the country by extremely feeble mechanical appliances which extract not more than 55 to 60 per cent. of the available sugar in the cane. The result is that of the canes grown in India, one-third at least is burnt in the furnaces which are used to boil down the juice. The raiyat obtains a product which is a mixture of sugar and molasses. What we want in India is a modern system of sugar manufacture in which powerful mills are used to extract from 90 to 95 per cent. of the sugar in the cane. When the juice from the powerful mills is subjected to a treatment for the purpose of purification a certain percentage of molasses is obtained and the greater the value of that molasses to the country, the greater would be the inducement to manufacture sugar rather than gur. It is quite possible that we can combine the manufacture of both gur and sugar in the same factory, that is to say, we can extract and use the first extraction of juice for the manufacture of gur and that later extractions which were extracted by the long turn of mills could be passed through the sugar house and subjected to the various processes of purification. As a bye-product of the mill, there is molasses which in an ordinary sugar amounts to 30 per cent. of the weight of the sugar produced at the present time. India is importing molasses to the value of something like a crore of rupees a year. Last year it was a crore. Well, a very high duty on molasses would make this bye-product of the mill industry considerably more valuable. Therefore I consider that it is desirable that there should be a high duty upon it. It is largely used in the manufacture of spirits and I don't think that anybody would suffer greatly if the duty on molasses was greatly augmented.

23113. *Q.* You are advocating an increase in the duty on sugar from 15 to 50 per cent. It has been proposed to raise it to 25 per cent. already. Don't you think that the consumer would be seriously affected by such a substantial increase in the duty?

A. Temporarily.

23114. *Q.* Have you examined the question as to the likings of the poor classes as between jaggery and sugar? Generally they don't prefer sugar to jaggery?

A. On the whole the people of the country prefer jaggery but we can manufacture jaggery in a large mill.

23115. *Q.* Provided you get protection to the extent of 50 per cent., that is the whole point.

A. No. The reason why we need protection for the sugar industry at the present time is because of the extreme difficulty in getting capital to go into the sugar industry on account of the scattered holdings of the raiyats. If you grow sugar on large estates in India as it is grown in other parts of the world, there would be no need for protection. We can grow sugar just as cheaply and satisfactorily as probably anywhere else, given suitable conditions and given sufficient supply of irrigation water. These conditions can be available in India. The only difficulty in our way is the difficulty of dealing with the cultivator. As long as the cultivator can make gur, he has the alternative of either selling his cane to a mill or manufacturing it himself direct and as a matter of actual fact, the prices of gur in India bear little relation to the price of sugar. The sugar may be high and gur low, or gur may be extraordinarily high and sugar low. One of the disadvantages in the manufacture of gur is that gur will not keep for any length of time. The consequence is that gur is extremely cheap just after the harvesting season and rises very rapidly in price towards the end of the year before the new harvest comes on to the market so that you have a crop which varies greatly in price throughout the year and as a matter of fact the ordinary grower of sugarcane does not realise the high prices which prevail during the latter part of the year. The greater bulk of the crop is sold at low prices and is done during the hot weather and monsoon months and the demand for sugar is greatest in the latter months of the year just before the new Indian crop comes on to the market. If we could concentrate cane growing and if we could concentrate its manufacture in large mills we should have a very much more efficient state of things than you have at the present time.

23116. *Q.* Don't you think that the present increase of 25 per cent. on imported sugar would be of material assistance to the sugar industry?

A. It would be of great assistance to the sugar mill undertakings which are already in existence, some of which are very flourishing and some of which are struggling. They will undoubtedly be benefited very largely and I think that it is an inducement to put fresh capital into the sugar industry. But as we are paying at the present moment probably Rs. 25 crores a year for imported sugar which we might grow in the country, the sooner that we set our house in order in regard to the cultivation of sugar, the better, and a heavier duty on sugar for a few years would undoubtedly tend to bring about these developments.

23117. *Q.* How would the high duty effect a change in the mentality of the agriculturists or the agricultural conditions in India? You say that the difficulty is that the agriculturists are scattered and that a small quantity of cane is grown in various parts of the country and that the agriculturists produce gur more or less as a cottage industry. How will those conditions be affected by high or low duty?

A. The higher the duty the higher the price of sugar in the country. That is obvious. Taking the country as a whole there will be a greater difference between the price of sugar and the price of gur; and therefore there will be a greater tendency to manufacture sugar rather than gur and the mills which are and will be established will be able

to offer the raiyat a higher price for his canethan they can without the duty.

23118. *Q.* That is on the assumption that the price of gur will not simultaneously rise with the price of sugar.

A. As I said the price of gur fluctuates throughout the whole season and bears practically no ratio to the price of sugar.

23119. *Q.* Sometimes the price of gur is higher than the price of sugar.

A. Yes. The probability is that a higher duty will yield a larger profit both to the raiyat who makes gur and to the mill owner who makes sugar. There will be an inducement to grow more sugar and then there will be another point of considerable importance. That is that all over the country the sugar cultivation is scattered in small patches and one of the reasons for this is the difficulty of crushing cane. A raiyat grows a small area of cane not because he wishes to confine his cultivation to that small area but because with the capital that he has and with the resources that are at his disposal he cannot afford to cultivate more. The number of cattle available very largely limits the amount of crop that could be grown. I have seen myself in Mysore extremely good crops of sugar cane. The raiyats have not been able to crush and eventually they have to set them on fire and get rid of them simply for want of crushing power. Well, with the duty on sugar and molasses capital would flow into this industry and it would be possible to set up small mills making gur driven by internal combustion engines or gas engines and these mills would extract a larger percentage of juice and they would either be set up by small capitalists who buy the cane or they would be set up by possibly local authorities or by Government and would work for hire. These have been tried in Southern India on a considerable scale and the initial difficulties connected with this development are now well understood and it is quite possible to get over them.

23120. *Q.* You say "with revenue duties imposed to yield a maximum return it will be possible to grant Imperial preference more by special terms for certain classes of imports than by a small general reduction in the tariff. It is desirable for instance that aluminium should be produced in India; but till the Indian market is larger, it will hardly pay to set up works. To encourage the use of the metal in India and to support the British Empire industry, the metal from the British Isles and Canada should be admitted free till production is possible in India and then the local industry should receive such measure of protection as the circumstances demand." Your object in suggesting that the aluminium metal should be imported free from British Isles and Canada is to encourage the use of it in India.

A. Yes.

23121. *Q.* Now would not the use be encouraged by supplying them cheaply?

A. Yes.

23122. *Q.* You want to cheapen the article to secure a demand.

A. Yes.

23123. *Q.* If that is so, would not the article be cheaper if the whole world is allowed on the free list instead of restricting to the British Isles and Canada?

A. I don't think so.

23124. *Q.* Why?

A. You have already got sufficient competition.

23125. *Q.* If you have got sufficient competition you are depriving it by restricting the import to the Empire countries. If it was free competition with all countries in the world, prices will be lower.

A. Not necessarily.

23126. *Q.* If not, there is no benefit in granting preference to the Empire countries.

A. That does not at all follow in actual practice.

23127. *Q.* In actual practice if it does not follow that the price would be dearer by this restriction, England and Canada reap no benefit out of Imperial preference unless they get a slightly higher price in consequence.

A. They get a new large market which is a different matter. For instance, if a British manufacturing firm of aluminium could dispose of 10,000 tons in India, India could certainly get at a cheaper rate than if she had to get 2,000 from a British firm, 2,000 from a Canadian firm and 3,000 from a French firm and so on. If you divide the industry between three or four people or three or four competing firms, none of them will make so much as one would if the industry was concentrated in the hands of an individual firm.

23128. *Q.* But then the individual firm would have a monopoly of the trade and make larger profits.

A. It is not a single firm that is engaged in the manufacture of aluminium goods in England.

23129. *Q.* You have mentioned the case of a firm. Therefore I have to say it.

A. I want to illustrate by concentrating the business in one country, it is likely to be more profitable or to sell the material cheaper than if you divide the business amongst a large number. Just as I took one firm for each country so I took one firm for England for the sake of illustration but there may be a dozen firms in the countries which compete.

22130. *Q.* That may be. If the supply to the consumer is restricted to one or two quarters instead of half a dozen, the tendency would be higher price.

A. I don't agree to that at all.

23131. *Q.* If not, there is no disadvantage in allowing free competition.

A. There is. We want to build up a very strong aluminium industry in the British Empire.

23132. *Q.* I thought that you said you wanted to build up the industry in India.

A. I want one branch of it in India; that is essential For national purposes and for national defence it is extremely desirable that the British Empire should be absolutely self-supporting in the matter of aluminium production. This reason, added to the one I have given on a commercial basis makes it desirable that if we are going to give Imperial preference we should give it in this direction.

23133. *Q.* My point was not that. I want to understand whether in the case you have mentioned it is possible to grant Imperial preference without an economic loss to India. I can quite understand your position if you say that you would give Imperial preference and would accept some economic loss. That is a position which is perfectly logical for any witness to take up. If you say that the aluminium industry is of national importance and should be built up as an Empire industry if it can be done without restricting the Indian market to the supplies from those two countries, there is nothing further to be said. But if you think that the industry can only be built up within the Empire by India giving her whole custom to England and to Canada, then there is some advantage to those countries in getting that exclusive use of that custom and that advantage is paid for by India in some form.

A. I contend that India by giving Imperial preference in this particular instance confers a benefit upon England and upon Canada at no expense to itself, because it enables the English and Canadian manufacturers to produce on a larger scale and therefore to produce more cheaply. It enables them to use the very large water-power they have available in Canada, for instance, and to find a profitable market for the material turned out.

23134. *Q.* The only point I should prefer to be clearly elucidated is how India could give this preference without paying more for the supply. If there was free competition between all countries the price would be regulated by such competition. I was interested to learn as to how restriction of custom to individual countries could be done without raising the prices to the consumers.

A. I can tell in detail from the past history of the aluminium industry exactly what occurred. The price of aluminium has been controlled throughout the world by a ring. All the producing countries, previous to the war, formed an aluminium ring and they regulated their prices accordingly, and in India you got aluminium at a price fixed by that ring.

23135. *Q.* But that ring no longer exists?

A. I think not.

23136. *Q.* Very well, then. There is now a chance of India getting aluminium at the lowest possible rate in free competition.

A. Yes.

23137. *Q.*—And you want to restrict the competition to those two countries?

A. It now happens that these two countries do produce aluminium at the cheapest rate.

23138. *Sir Edgar Holberton.*—*Q.* Sir Alfred, the point about aluminium is that you consider it to be a fallacy to suppose that open free competition necessarily meads the cheapest price?

A. Yes.

23139. *Q.* Probably one of your reasons would be that if the two producing countries that you mention had a fair certainty of this very big Indian market they would go in for mass production and thereby cheapen their output. Therefore, there is an exception where India would positively incur no economic loss by this particular form of preference?

A. Yes.

23140. *Q.* You cannot say with certainty that that would be the case with every article, but that is a case where there could be Imperial preference without any economic loss. That is an interesting case. I think no witness has been able to put before us such a proposition. (No answer.)

23141. *Q.* Sir Alfred, you gave evidence before the Sugar Commission, and they were not able to accept your theories or your ideas about the advantages of a protective duty. So far as I can remember the Sugar Committee have said that in the present state of Indian conditions, more specially with reference to production, they did not consider that on the information before them protection was of any help?

A. Yes, but I do not agree altogether with the report of the Sugar Committee.

23142. *Q.* What I wanted to know was if the Sugar Committee had the benefit of your views?

A. I do not think I discussed with them the question of duties at all. I do not remember having done it. I think I avoided all questions of protection when I was dealing with them.

23143. *Q.* With reference to your paper your theory really is, as far as I follow it at the beginning, that you would impose revenue duties at very high rates. Will you not?

A. Because they are necessary.

23144. *Q.* Would you get as much money as you possibly could?

A. Yes.

23145. *Q.* Now, at what point would your revenue duties become protective?

A. They would be protective even when they are small. In some cases a small revenue duty is of great assistance: in some cases it is absolutely useless. It depends entirely on the efficiency and the circumstances under which the industry is being carried on locally.

23146. *Q.* Well, then this system of a revenue budget with a general tariff rate, say 15 per cent., would be quite unsound from your point of view?

A. Yes.

23147. *Q.* You ought to have a specific examination to see what the rate should be on a particular article?

A. Yes.

23148. *Q.* That is surely your protection?

A. No. India suffers from want of revenue. Many projects and schemes are held in abeyance continuously for want of funds. Therefore as a means of raising those funds we can impose revenue producing duties, and you can work up those revenue duties till you find they are producing their maximum amount. If you make them too high you diminish imports and the revenue falls off. But there is a maximum point which you can reach and that point will be reached long before we have reached the limit of our spending capacity.

23149. *Q.* You would let the thing to develop itself and when you have arrived at a point of your revenue duty when it won't pay you will take it off?

A. Yes.

23150. *Q.* What I thought was that you were going to examine the particular circumstances of each industry and see how it will develop?

A. No, no. When it comes to the case of protective duties I would examine the circumstances of each industry and examine if it is an industry which we can develop. If we put a protective duty we should get a corresponding development in this country. There are certain industries which offer reasonable prospects of being established in this country with protective duties, but they have to be very carefully examined by experts first.

23151. *Q.* You would be on safer grounds, you think, in carrying your revenue tariff as high as you possibly could without a special enquiry for a tariff of a protective nature. You would advocate that for the benefit of certain measures you want to introduce, which would be apart from the tariff question?

A. These protective measures will only be taken when we have organised the means whereby the industries could be developed in the country. To merely put on a protective duty and leave it to chance that somebody took up the industry in the country would be futile.

23152. *Q.* You would not agree then with the fairly heavy mass of evidence we have heard here that protection *per se* is going to transform the country.

A. No.

23153. *Q.* Now, as you are out so much for revenue what is your tremendous objection to the particular excise duty about which there is so much controversy. Not the liquor excise but the cotton excise? Is it not a fair way of raising revenue apart from its past history?

A. Yes, if you levied on everything. If you put it on cotton goods put it on the iron and steel industry.

23154. *Q.*—But you see the difficulty of collecting it.

A. In no country in the world are these excise duties levied on manufactures and I see no reason why we should have them in India.

23155. *Q.* Not even Japan?

A. In Japan they have a revenue which is very analogous: they call it a consumption tax.

Sir Manakjee Dadabhoy.—That is quite diffierent from the excise duty.

23156. *Sir Edgar Holberton.*—*Q.* In my opinion it is very much analogous: But if you want to get the utmost revenue you can under your revenue tariff, where is the harm in putting an excise duty on the mills?

A. You are getting a large revenue from the mills under your Income-Tax. I do not think it is fair to impose a double tax on them.

23157. *Q.* Let us forget the unfortunate history of this duty. Do you think that Government would for revenue purposes venture to put a 15 per cent. duty on cotton if thereby they change the relation of the duty on cotton to the scale of duties levied on other commodities? Would they not thereby lay themselves open to the charge of protecting vested interests?

A. What I advocate is a general imposition of revenue duties to raise a large revenue. We want more revenue. The country is suffering from want of money for the General administration and for the development of the country, and if we impose these duties which I recommend we should be able to get a sufficient amount of money at any rate to carry on much more satisfactorily than we have done in the past. The country will develop; the country will get good returns, and it will be able to bear those taxes better.

23158. *Q.* Your evidence is quite clear that you would look upon some sort of an excise duty as a legitimate one if it can be spread out to various industries.

A. That is a method of internal taxation that I have not examined in any detail. But there are other alternatives to the imposition of excise for raising the internal revenue.

23159. *Q.* Now, the only other point I am going to traverse with you for a moment. You are wholly opposed to any kind of restriction on the establishment of industries in the country with outside capital. We had of course had a great many views in answer to question No. 18. It is very interesting, I think, for the commission to hear why you find yourself able to recommend a perfectly free introduction of capital from outside. Probably you have no fear of what they call decreasing the national dividend by the profits of that capital going out of the country.

A. None whatever.

23160. *Q.*—Could you give me your reasons?

A. When an industry is established in India the advantages to the country measured by monetary returns are so large compared with the profits. The country as a whole would benefit even though a certain part of the profits goes out of the country. Then you have to remember that if you get a real industrial development of India, which we had never yet, you will get a large accumulation of profits in the country, and the capital which was borrowed from abroad would be repaid. The people in the country can buy the shares in the companies and own them themselves and thus prevent the profits from going out of the country.

23161. *Q.* Do you think that it would happen in the natural way and it is not at all necessary to legislate?

A. It is perfectly certain to happen in the natural way.

23162. *Q.* That is, if the English trading firms and foreign trading firms establish themselves and their concerns are worth having their shares would naturally appeal to the inhabitants of India and would largely pass into their hands?

A. Yes.

23163. *Q.* On the other hand, if the foreign capital comes and makes a mess of it and fails to make profits the Indian public would avoid a loss and at the same time would have had a valuable experiment.

A. I think we had that experiment in the jute industry of Bengal. The capital of the jute industry is largely in Indian hands.

23164. *Q.* Very much so now than in the past?

A. Yes.

23165. *Q.* It is more likely to benefit the country that capital should come in free even under protection than it should be hampered by terms and restrictions?

A. The more profit to the industry the more revenue goes into Indian hands.

23166. *Mr. Narottam Morarji.*—*Q.* You have raised a very interesting point about the Indian States. You say that Indian States are claiming to participate in the customs revenue. Do you regard that claim as a just one?

A. I do not think I am prepared to discuss this question of Indian States in detail because I do not know what treaties between the Government of India and the Indian States regulate these fiscal matters. With different States there are probably different arrangements. But it is perfectly obvious that if we put a heavy revenue tariff on the imports into the country, the people living in the Indian States who purchase imported articles will have to pay the higher prices for them, and, therefore, it will be a taxation on those States. And I know as a matter of fact that the Indian States are preparing to make representations on the subject.

23167. *Q.* Now, you are wholly opposed to excise duties. Who pays the excise duties, the consumer or the producer?

A. I do not know whether I am prepared to argue that at the present moment. Whoever pays the import duty will have to pay probably the excise duty.

23168. *Q.* But is it not generally paid by the consumer?

A. Without examining the circumstances of each case I think you cannot say who pays the duty.

23169. *Q.* Take the case of mill cloth. Who pays the excise duty on that?

A. That all depends on whether the mill cloth comes into competition with cloth imported or whether the producers of the country will sell it independent of the prices ruling for similar stuff abroad.

23170. *Q.* But generally it is admitted that it is paid by the consumer?

A. I am not prepared to admit it without a detailed examination of every case.

23171. *Q.* Now, I see you are advocating higher duties on machinery. How long will it take in India to make this machinery?

A. It depends upon how you set about it.

23172. *Q.* Would you get enough capital for starting that industry?

A. If it is the policy of the Government of the country to encourage the development of mechanical engineering it will come in.

23173. *Q.* Would it take 5 or 6 years before the industry can be established?

A. 5 or 6 years or perhaps longer.

23174. *Q.* Would you exempt present commitments from duty?

A. I am dealing in this note with the future. But assuming that the Government of India put large import duties on machinery at the present moment, I would exempt those undertakings from that duty which have already been started on the assumption that no duty would be imposed. For instance, I would take the case of a hydro-electric supply undertaking which has placed orders in Europe for a large amount of machinery. I do not think it would be wise to suddenly put an extra 8 or 10 per cent. duty on that machinery, because not only have they made contracts in Europe for the supply of their machinery but they have also made contracts in India for the supply of the electricity which they are going to generate, and it would need a revision of both contracts to make it equitable to the hydro-electric company. I give the hydro-electric company merely as an illustration.

23175. *Q.* Now, you say that there should be an import duty on foreign coal?

A. Yes.

231761 *Q.* We were told in one or two places that there is not enough coal in India and we must conserve our coal supply. Now, what do you think of that? Have you got enough coal in India?

A. Do you want me to answer it on the assumption that there is not *enough* coal in India? That is an important matter.

23177. *Q.* Supposing there is not enough coal in India?

A. We have got heaps of coal.

23178. *Q.* How long were you in Mysore?

A. I have been connected with the Mysore Government since 1912.

23179. *Q.* I suppose there was a sugar factory at Seringapatam?

A. Not at Seringapatam, but near it.

23180. *Q.* Why did it fail?

A. I could not tell you. It is 40 or 50 years ago. Bad management, I think.

23181. *Q.* I thought it was not so late as that?

A. It is a long time back.

23182. *Sir Montague Webb.*—*Q.* Sir Alfred, I seem to remember reading not so very long ago a work, I think by you, in which the arguments in favour of a policy of free trade were set forth in a manner almost incontrovertible. Could you tell the Commission what the reasons are that have caused you to modify your view on the theoretical aspects of the subject or the practical aspects of the subject?

A. There was a paper, which you are probably referring to, written by me in 1911, and since 1911 there have been some material changes in the world and our theories about free trade and protection have rather gone to the wall. Certain questions such as the necessity for national defence have arisen and have become very important, which were absolutely disregarded in those days. I do not think at that time we realised that a country like India should not remain permanently dependant on Europe for the major portion of its essential supplies. We found that during the war, being cut off from Europe, we were at great disadvantage. We found that the Empire as a whole was at a great disadvantage on account of the economic weakness of India, and any steps that we can take to-day to strengthen the industrial position of India are of advantage not only to India itself but to the whole of the British Empire. I might also add that in the last 10 years there has been a great industrial awakening in India. That has also altered the position very materially. Ten years ago there was much less prospect of successfully establishing industries in India than exists to-day.

23183. *Q.*—Do you mean political awakening or economic awakening?

A. Economic awakening.

23184. *Q.* I take it that you have not in any way departed from the root and basis of free trade, namely, that by each individual concentrating his attention upon those things which he can do best, and each nation concentrating its attention upon those things which it can do best, and by freely exchanging with each other the products, the result is that all parties get what they require with the least economic outlay, and that the surplus that remains, call it national dividend, is thereby increased to the utmost with the least cost. I take it that you still accept and recognise that fundamental basis.

A. I accept that basis on the assumption which you have made, *viz.*, that there is not only now but at all times a free interchange. But what we find is that that free interchange may be stopped and that very seriously to our detriment.

23185. *Q.* I take it that no matter what interference a third party may for his own ends consider is desirable to make, the theory is still incontrovertible that if we take what we can get at the least price and give the least in return, to that extent we get what we require at the least possible cost and thereby we are able to accumulate the greatest savings with the least effort? I am just starting from that point.

A. I would like to modify that to some extent. What you say is perfectly true that under a system of free trade we shall get what we want at the time at the least possible cost, but we will place ourselves in an extraordinarily dangerous economic position thereby. That is what I want to avoid.

23186. *Q.* Well then, granting the incontrovertibility of the theory of production at the lowest economic cost, we are bringing other considerations to bear, considerations of national defence, you have particularly mentioned.

A. Yes.

23187. *Q.* And then the most orthodox of free traders have always recognised that you might expend some of the national dividend to encourage young industries, provided you have suitable raw materials at hand.

A. Yes.

23188. *Q.* And you have gone considerably further now, because you consider it will be in the interests not only of India but the Empire as a whole to bring about a more rapid industrial development of this country?

A. Yes.

23189. *Q.* That is your point of view?

A. Yes.

23190. *Q.* Fort hat reason you would welcome a policy of well-reasoned protection?

A. I do not welcome the imposition of revenue duties as a thing which is desirable in itself. I look upon it as an absolute necessity of the situation.

23191. *Q.* I am not referring so much to revenue as the imposition of duties for protective purposes.

A. I think I have said that where protective duties are imposed there must be corresponding measures taken

in this country to secure the object of those protective duties.

23192. *Q.* You use the words 'including protective'?

A. Yes.

23193. *Q.* That is to say you recognise there are many other measures?

A. Yes.

23194. *Q.* Speaking very roughly would you consider protective duties as the important part of the problem of development of industries in this country, or would you consider it only as a minor part?

A. With different industries, the importance of the protective duties will vary. In some cases we can dispense with protective duties by the application of very high scientific skill and experience. In other cases conditions may not be nearly so favourable and protective duties may be necessary during the period when you have to build up the markets. I don't think it is possible to give a general answer to this question. You have got to deal with each specific case and examine it very carefully. I apprehend that that would be one of the greatest difficulties which will have to be faced in any protective system. It will require a very careful examination of the whole data before we can start and say we are going to establish certain industry, put protective duties to enable it to come into existence.

23195. *Q.* Why I asked this question is, an important witness said yesterday that he regarded that protective policy would solve 90 per cent. of the problem, and granted protection everything else would be done.

A. I don't agree with that at all.

23196. *Q.* On page 2 of your paper you say 'I am wholly opposed to the levy of excise duties as vexatious and inequitable.' By excise duties do you mean countervailing excise duties or do you refer to excise duties as a whole? Personally I do not know why it should be regarded either as vexatious or inequitable.

A. I had countervailing duties undoubtedly in my mind, because it gave rise to discontent. I also consider that excise duties involve a certain amount of interference on the part of the Government of the country with private enterprise which is undesirable.

23197. *Q.* You would rather not impose it?

A. I think there are other forms of taxation, indirect taxation that are better adapted to the circumstances of India especially than excise duties.

23198. *Q.* You recognise there are many types of excise duties at the present day in the United Kingdom; beside the one we are all familiar with, namely the excise on spirits, there are excise duties on sugar, on matches, on coffee. There are a great number of excise duties in operation at this moment in the United Kingdom?

A. Yes. They are all sources of revenue. They are on certain classes of goods which are not affected a good deal. But if England were to raise a large revenue by an excise duty on Lancashire, the duty will cause a great deal of unrest and I think there will be a storm of indignation.

23199. *Q.* It is quite probable. Do you recognise there is an excise duty on cotton goods in Japan?

A. I have not studied Japanese taxation. But I don't see why we should follow Japan.

Sir Montagu Webb.—Not a bit.

23200. *Mr. Coyajee.*—*Q.* It is difficult to understand clearly how tariff should be used to encourage the production of chemicals and on what lines. The difficulty is that so many chemicals are bye-products of each other and so many are raw materials to others. If you have any idea will you help us?

A. To have any large development of chemical industries in India you must be able to import easily certain basic materials. If you cannot get these materials, you cannot establish industries in this country with any advantage; for instance, what are known as heavy chemicals can only be manufactured in India if the conditions can be complied with. Caustic soda and sulphuric acid may be taken as two typical examples of heavy chemical drugs and in order they may be successfully manufactured in India it is essential that the raw materials should be easily available.

23201. *Q.* Would you import them free of duty?

A. I would import, but I do not see the necessity at the present moment for the admission of these materials free of duty, because there are no large industries in the country in any way depending on them. If those industries were gradually to grow up the question of import of the raw materials would be a matter for consideration. Generally speaking, I think it is an advantage to the country to be limited to import raw materials free of duty. No country has got all the raw materials that it wants for all its industries and I think you will find that most of the countries which have adopted the protectionist policy do admit raw materials free of duty. I can give you any number of examples of that sort of thing. For instance, in Marseilles the French import oilseeds free of duty whereas they put considerable duty on oils. I have a small business for the Mysore Government in the manufacture of sandalwood oil. The Americans pay 20 per cent. duty on sandalwood oil but they admit sandalwood free of duty. They try to compel us to send them wood so that they may have the industry in their country rather than here.

23202. *Q.* So in regard to chemicals you do not think that the time has come to allow raw materials free of duty?

A. That is a matter which is entirely dependent on the state of the industry. For instance, in the development of iron and steel trade certain amount of sulphuric acid is needed. It is desirable that a valuable mineral like sulphate of ammonia should be produced in the country cheaply and if the country does not possess the raw materials then you would be hindering the industry instead of helping it by putting an import duty on the raw materials that are required. I would not answer this question straight off, because there are ores of sulphur in the empire which might be utilized.

23203. *Q.* Within India?

A. Not in India, but in Burma. Large quantities are available in Burma and it is desirable that the use of those varieties should be encouraged.

23204. *Q.* I want to ask one more question in connection with the article on Indian soaps in the Munitions Board Handbook, where you argue, sir, that in the matter of the inferior varieties of soap we are already able to take care of ourselves against foreigners and that the protection you want is mainly in regard to better qualities. Is that so?

A. I don't remember that article.

23205. *Q.* It was written in the Munitions Board Handbook?

A. By me?

23206. *Q.* No, no; it was written by Sir Frederic Nicholson. What is your opinion?

A. I should have exactly the opposite opinion.

23207. *Q.* If we should put duty on the inferior brands.

A. In the manufacture of soap, we are in India now producing high grade toilet soaps of very good quality, which can easily compete with Europe. They have very good market. In regard to cheaper soaps they are manufactured by one of the biggest commercial combines in the world and we are rather at their mercy. They can utilise all sorts of cheap inferior raw materials which are not available in India. The Indian soap trade so far as the manufacture of cheap soaps is concerned is therefore at a disadvantage compared with the manufacturers who are in that home combine.

23208. *Q.* Now, with regard to the tariff question in India don't you think that apprehensions have been expressed before this commission that a great number of European firms have projected plans to come to India and associate with Tata's iron works?

A. Yes.

23209. *Q.* They have no idea of dumping the Indian firms by seeking a division of the profits?

A. If you put a tariff wall round India, if the tariff wall is sufficiently high, you will unduly cause a certain number of industries which are now being carried on in Europe and America to be translated to India. That is your object. At the present moment you do not possess in India the technical knowledge and experience necessary to conduct those industries and I think it is of immense advantage to India that those firms should come out, that they should bring out some of their capital and they should establish themselves in India. But what I have observed in the last year or two is that firms are quite willing to come in but not anxious to bring capital out here. The idea that India would be swamped with foreign capital and there would be very large amount of profits or industries taken out of the country, I think, is absolutely fallacious.

23210. *Q.* Then coming to the question of Imperial preference, you believe that by giving all orders to industries within the empire we shall, as it were, get the benefit of the law of increasing returns and so get goods cheaper than if we spread our orders not only within the empire but also outside?

A. Yes.

23211. *Q.* May I suggest for your consideration another possible potentiality of Imperial preference in the future,

it is this way. As the tropical countries like Java are being exploited more and more by the European nations for raw materials these countries might in their turn become rivals to India in the export of raw materials. Therefore, under such circumstances the Imperial preference might give for India a stable market.

A. Undoubtedly.

23212. *Mr. T. V. Seshagiri Aiyar.*—*Q.* I believe you advocate that raw materials should be imported into the country free of duty. Would you also suggest that if you export raw materials there should be no export duty?

A. No, not in the case of export of raw materials. What I have stated is 'I regard export duties as only justifiable when applied to materials, the supply of which from India is a controlling factor in the world markets.'

23213. *Q.* In the case of foodstuffs, for example would you have an export duty?

A. I would not put an export duty on foodstuffs unless the foodstuffs are more or less derived from India. I see no objection for instance, to export duty on rice. I have mentioned here that I consider it is preferable to put an export duty on wheat rather than to prohibit the export of wheat.

23214. *Q.* Would not the putting of an export duty have the tendency of driving the growers of rice or wheat to take to other crops and thereby denude the country of foodstuffs which are necessary for feeding the people?

A. I am not confining my remarks here to foodstuffs. If you are growing a vegetable product such as oilseeds for which you have a monopoly, or a partial monopoly, I would not seriously object to export duty on it, if you can get part of the export duty out of the purchaser.

23215. *Q.* I am solely confining myself to foodstuffs, because if you are reducing the price of foodstuffs, he may be tempted to grow other crops, for example, cotton or some other crop.

A. Take the case of foodstuffs in India at the present time. The agriculturist for the last few years has been in a very advantageous position apart from such distresses he might have suffered from famine. He has enjoyed very higher much prices than he has had before. As 70 per cent. of the country is dependent on agriculture and as 70 per cent. or more of the people are agriculturists, I think it is justifiable for Government to endeavour to get a certain amount of revenue from the agriculturist by the imposition of export duties when such can be levied with economic advantage. The ryot is under a contract with Government under which the Government is not in a position to raise his land tax or his land cess, and the cultivator in consequence in recent years has been in an extremely favourable position and the value of the agricultural land has in many places risen considerably.

23216. *Q.* Land does not give 2 per cent. return?

A. That is due to other causes altogether. You get 2 per cent. because there are so many people who are willing to pay for the social advantages connected with the owning of land.

23217. *Q.* There are not other securities and so they go in for this.

A. That is mainly on wet lands.

23218. *Q.* Yes, I am speaking of wet lands.

A. That is due to social reasons. The man's status is increased when he has got a certain amount of wet-land.

23219. *Q.* What I am suggesting is this: when he is getting only 2 or $2\frac{1}{2}$ per cent., if you are going to make food grains cheaper the result would be that the man will grow some other crop and thereby the country would be deprived of foodstuffs and there would be a shortage of foodstuffs.

A. I don't think the argument really applies unless the man will change from one kind of crop to another merely because it pays him better. That only guides him to a certain extent. For instance, if a man wanted to grow most profitable crop in South India he can grow sugarcane.

23220. *Q.* Or plantains.

A. He chooses to grow paddy because it involves very much less labour.

23221. *Q.* It is not a question of labour. Take a man who has got lands and to whom it would be more advantageous to let his land on warram tenure to a tenant or cultivator who would pay money value. He can get more readily the money for the moment by letting it to a plantain grower or the sugar cane grower. He will therefore, be tempted to do so if you are going to put an export duty and thereby cheapen the produce which he would otherwise get.

A. I am not in favour of export duties. But if export duties are essential first of all to restrict exports, of wheat for instance, then I do not think there is any objection! I think it is preferable, if Government have got to interfere with the export trade, that they should put a duty on wheat rather than put artificial restrictions on the trade.

23222. *Q.* In regard to your answer about the Native States, if the Native States claim a portion of the money in consequence of the higher import duty or protective duty, could not the Government of India say, 'you are enjoying a benefit at present to a greater extent than that for which you were originally giving contribution. Therefore, you are not entitled' or anything of that sort?

A. It think so. I am not prepared to say that the Native States at the present moment can justifiably claim it. All I say is that they are making that claim and that claim will have to be considered especially in the light of such treaties as Government might have made with them.

23223. *Q.* Upon the question of Imperial preference, what you suggested about aluminium to the President does not apply to almost all articles, does it?

A. It applies to many.

23224. *Q.* Then you advocate Imperial preference in respect of many articles which are being imported?

A. Yes.

23225. *Q.* You see that 70 per cent. of our imports are from the United Kingdom. If you are going to give preference, the result undoubtedly would be that there would be economic loss, because we will thereby be losing a large amount of duty from the United Kingdom.

A. That is a point I want to explain. You won't lose any duty. You would put such a high duty that you would get goods from the United Kingdom and you would only shut out foreign competitors. You would still get your duty because you put your duty at the maximum economic rate.

23226. *Q.* Suppose we put 15 per cent. import duty on foreign articles, you will be able to get some money, whereas if you are going to get those articles from England and if you reduce the rate to 10 per cent. you would be losing 5 per cent.

A. That is not my point; for instead of 15 per cent. on foreign and 10 per cent. on English goods, I say put 15 per cent. on English goods and 40 per cent. on foreign goods.

23227. *Q.* There would practically be no chance of foreign goods coming in?

A. I don't mind.

23228. *Q.* Would not there be an economic loss?

A. No, because you will get the effect of production on a large scale which will enable English manufacturers to make things cheaper.

23229. *Q.* Undoubtedly you are giving the benefit to England.

A. I can give you an example of my own experience in Madras, as to how things improved by restricting competition. One of the most wasteful things at the present day is the unrestricted competition. A little over twenty years ago I took up the question of utilising oil engines in the south of India. At that time there were half a dozen or a dozen firms, agents for various oil engines. I made a number of experiments and I came to the conclusion that a certain type of engine was much better suited to the local conditions than any other. I adopted that engine as a pattern which I recommended to all industries in the south of India. The result was that practically all the orders in the south of India flowed through my office. This is one form of getting a monopoly to which every other firm, objected strongly as was natural. But the price of engines went down, because the firm that had more or less a monopoly was able to keep a large stock in their hands here and they even made arrangements for the sale of spare parts; and generally the country benefited enormously by it. In no other part of India were there similar arrangements and in no other part of India were there similar developments in the use of these things.

23230. *Q.* Supposing there was competition in other parts of India, that is the point I am aiming at but you are making out a case for monopoly.

A. The theory is this that manufacture on a large scale enables you to produce things so much cheaper and when it comes to a large number of people competing for a certain order you may think that you are getting the things cheaper but in the long run they all put up their prices. They cannot go on competing and spending a lot of money on advertisements and a lot of money on going round the country to get orders and so forth.

23231. *Q.* Sir Montague Webb referred to your free trade tendency, if I remember right. I had known you for a long time and you had instructed me on many occasions

when I was a member of the Madras Legislative Council. I think that you had always insisted upon some sort of protection, pioneering of industries, etc.

A. Yes.

23232. *Q.* So he can hardly say that you were all along an undiluted free trader.

A. No. (Sir Montague Webb :—I never said so.)

23233. *Mr. Mant.*—*Q.* Sir Alfred, I understand that your proposal is to impose as high a revenue duty on practically every imported product as it will bear.

A. Yes.

23234. *Q.* You won't have a uniform rate because some things can stand higher rates than others.

A. I have stated that.

23235. *Q.* You would go on raising the rates of revenue duties as long as the revenue goes on increasing but as soon as it ceases to increase, you would leave them as they were or reduce them?

A. Yes.

23236. *Q.* In some cases that would result in enormously heavy duties, would it not? I don't know what is the figure that you have contemplated.

A. Well, probably in a number of cases it would. Where the transactions were comparatively small, if you push it to the extreme, you would get very high rates running into several hundred per cent. But I was not thinking of every article of trade which was perhaps only a few thousands of worth in the course of a year. I was rather dealing with the broad general trade of the country and I imagine that the maximum revenue duty in most cases will not be more than 25 or 30 per cent. If you begin to impose a higher tax on a great many things, the consumption will fall off and the revenue will decrease.

23237. *Q.* You think that in the case of many articles the maximum revenue duty would be comparatively low.

A. I think so.

23238. *Q.* There are a good many articles which cannot be manufactured in this country at present and it would take some time to manufacture them.

A. Of course if you put a big duty on ornamental glassware, table glass or something of that kind which it is impossible to manufacture in India at the present time, you would soon reach the limit of your revenue duty on it because people would simply give up the use of high class glass and use cheaper kinds.

23239. *Q.* There are a lot of things like spectacles for instance which they are bound to use.

A. In the case of surgical instruments and things of that kind, you might make an exception. You don't want to impose on something which is essential to the welfare of the individual. For instance on drugs you might put extraordinarily heavy duties. I would not suggest that the tariff should apply to them.

23240. *Q.* You would not carry your system to extremes.

A. I would not.

23241. *Q.* Even without carrying it to extremes, like that, it would mean a very heavy increase in taxation.

A. You have got to put up with it, that is the necessity of the country.

23242. *Q.* Youk now that almost all civilised countries base their rate of taxation on their requirements for expenditure? They don't say "we will take as much money as we can get from consumers."

A. That is quite true but the conditions in India just at the present moment are exceptional.

23243. *Q.* I daresay that it would appeal to the Finance Member at present but as a general principle of taxation, surely it is unsound.

A. I don't think that there is much advantage in discussing at the present moment the normal state of things. We are rather dealing with abnormal conditions of things which will last in the case of India certainly for a fairly long period. I don't think that in the past we have spent sufficient public money in the development of the country. We have had an economical Government in the sense that the Government has restricted taxation unduly and that in the development of the country enough money has not been spent and that if in the future we spend more money in material development of the country, we should ultimately get a bigger return than we got. The cardinal principle before the war was to restrict the borrowings of India to such an extent that India could always get its money about 3½ per cent. while there were many enormous number of undertakings which would have returned 10 per cent. which were kept up solely and wholly because of the restricted idea of finance. With a more liberal idea of finance we can open up the country and improve its position relatively to other countries.

23244. *Q.* Then, I understand this proposal of yours for maximum revenue duties is only intended to meet certain abnormal conditions.

A. Undoubtedly.

23245. *Q.* You don't recommend it as a permenent system of finance.

A. No. I am rather dealing with the conditions which I think would prevail for the next 10 years.

23246. *Q.* Then you recognise that this system would tend to raise prices very much in India and that the rise in prices would in its turn raise the cost of production. You suggest that this effect would be neutralised by a rise in the exchange.

A. Yes.

23247. *Q.* Do you think that the rise in exchange would be sufficient to counteract the rise in price? You say that the initial rise may be considerable.

A. Yes.

23248. *Q.* Well, that would cause a corresponding rise in the cost of production and a large diminution in exports which would tend to counteract the rise in exchange brought about by the restriction of imports.

A. Yes.

23249. *Q.* Well, I ask you do you think that the rise in exchange would be sufficiently great to counteract the rise in prices and in the cost of production?

A. It is rather difficult to answer the question definitely because it depends upon what limits you think the exchange may range between. For instance at the present time you have roughly Rs. 15-12-0 to Rs. 16 per pound and that in itself is a great encouragement to the export trade and militates against the imports. If you have protective duties on the imports coming into this country, there is no question that they will fall off considerably. For the last year or more we have been over-buying with the result that the exchange has gone down. Restrict that over-buying and in time the exchange must inevitably go up.

23250. *Q.* Assuming that your selling remains the same.

A. For instance the proposal in the present budget contemplates an all round duty of 15 per cent. 15 per cent. is well within the limits of the range of exchange within the last few months. If we went back to 1*s.* 6*d.* a rupee as in October last, the price of the imported article would be no more than 15 per cent. than it was without it. The fundamental necessity of the country is to try and fix the value of rupee.

23251. *Q.* Yes, what I doubt is your doing it by means of a high tariff.

A. I think that a high tariff will tend to steady matters. It will prevent speculation to a certain extent and it will enable Government to maintain the rupee as they did previous to the war at a certain figure.

23252. *Q.* Of course the high tariff by restricting imports will inevitably in the long run reduce exports.

A. I don't think that it will necessarily follow. The value you get for your exports depends on world prices and they fluctuate enormously. If India has a large amount of raw material to export it will export. It may get a larger number of rupees for its exports if the rupee is of low value. It will get a smaller number of rupees for its exports if the rupee is of high value. Whether the value of the rupee is high or low, the exports should go out of the country. I don't think that it will have any effect on the volume of exports.

23253. *Q.* Surely it will, if the Indian product costs more.

A. To a large extent our exports are bye-products of our necessities. We export what we do not want. We export hides and skins very largely. There is no market in the country. We don't grow hides and skins. They are produced simply in the ordinary course of agriculture. If they were not exported, they would be wasted in the country. Up till the time the export trade in hides and skins was established the whole of the valuable raw material was wasted in the country. In the same way if there is a surplus of wheat available for export, it will be exported.

23254. *Q.* Do you call wheat and rice bye-products?

A. Wheat to a certain extent, rice not. The rice crop has been grown more especially in Burma rather than anywhere else. The exports of rice from other parts of India are almost entirely seasonal. It depends upon the nature of the season. The export of wheat varies enormously with the nature of the season. It fluctuates from well over a million tons down to nothing at all.

23255. *Q.* The production of wheat depends very much upon the price obtainable for it. Wheat you call a bye-product. I think that the term hardly suits.

A. It is not quite a bye-product as hides and skins are.

23256. *Q.* But the fact remains that the production of wheat varies to some extent with the price. We have been told that by many witnesses.

A. I think that it varies a great deal with the season. It is rather difficult to distinguish these two factors.

23257. *Q.* Because there are competing crops.

A. Yes.

23258. *Q.* And therefore I was only bringing out what I should have thought a self-evident proposition that by imposing high tariffs and putting up the cost of living and the cost of production, you will inevitably tend to reduce the volume of exports.

A. You will reduce the volume of exports to some extent I admit but you are also going to reduce inevitably the volume of your imports. You are going to affect your foreign trade to the advantage of your internal trade. I think that if one reviews the whole past history of industries in India, the tendency has been for the foreign trade to be developed rather than the internal trade

23259. *Q.* I am only controverting your argument that a high tariff will tend to establish a higher level of exchange; that is a proposition which I cannot bring myself to accept because it seems to me that the effect of a high tariff will be to produce factors which will tend to lower exchange.

A. I admit that.

23260. *Q.* There will be a continual action and re-action; although the temporary effect may be to check imports before it checks exports, the eventual effect will be to bring the two to some sort of balance and it does not follow that the balance will be a higher level of exchange.

A. I maintain that it will be a higher level for this reason that under the tariff which you are contemplating there will be a greater internal development of the country, that there will be greater industrial activity, that the country as a whole will be wealthier and richer, and that therefore its status compared with other countries will be higher than it is at the present time and therefore its exchange value of its currency will be higher. As a country develops it needs a higher value for its currency to carry on external trade.

23261. *Q.* That is an argument which may be quite sound but it is not the argument that I was controverting.

A. My argument is that if you develop the industries of the country, you get a higher rate of exchange.

23262. *Q.* I did not question that. I question the point that a high tariff necessarily brings about a high rate of exchange.

A. It depends upon the development of industries of the country. It depends upon the fact that by the imposition of high import duties you will bring about this industrial development inside. If you merely put import duties for revenue and there is no corresponding industrial development, then I am perfectly willing to admit your argument that the things may fluctuate and the final adjustment of exchange may be no better than at the present moment.

23263. *Q.* You really mean that these high revenue duties would have a protective effect which would increase the productive power of the country and so tend to raise the level of exchange. I take it that that is really your view.

A. I think that it would have been better to explain that sentence a little more.

23264. *Q.* That is what you are really driving at.

A. Yes.

23265. *Q.* There is only one other point and that is in connection with sugar which you have already discussed with the President. You have no doubt read the report of the Sugar Committee.

A. Yes.

23266. *Q.* They don't recommend a protective duty because it would tend to perpetuate inefficient methods.

A. Yes.

23267. *Q.* You argue that a high duty would stimulate better methods.

A. That is my argument. It brings out a different class of people into the business.

23268. *Q.* You don't agree with their arguments.

A. No. If you leave the sugar alone, it will remain in the hands of the raiyats. If you introduce some outside stimulus so as to bring people with the necessary experience, capital and knowledge to deal with it. you may bring about a change.

23269. *Sir Manakjee Dadabhoy:* *Q.* Your system of tariff which recommends high duties on imports I understand is limited to main imports of this country.

A. I do not know what you mean by the main imports.

23270. *Q.* You don't propose to recommend a high tariff on every article imported.

A. There may be a considerable number of exceptions. On comparatively small imports it is not desirable to tax. For instance Mr. Mant mentioned spectacles. I see no advantage in trying to raise revenue out of spectacles. I would not put an import duty on chloroform or drugs.

23271. *Q.* There are many other items like that.

A. From a revenue point of view, they are absolutely insignificant.

23272. *Q.* Then you don't recommend a uniform system of assessment.

A. Certainly not.

23273. *Q.* Each case will have to be individually considered.

A. Undoubtedly. To introduce a blind system of putting a tariff on anything and everything regardless of the conditions I consider absurd.

23274. *Q.* From what you have said I understand that you want the duties to be so formulated as to get the maximum return to the country.

A. So long as that revenue is judiciously spent.

23275. *Q.* We would leave that point alone. I understand that you would also carry your argument to its logical sequence that these revenue duties will not in your opinion affect the price of imported goods.

A. I did not say that they would not affect the prices of imported articles.

23276. *Q.* Not seriously, I mean.

A. I did not say that at all. The only point that I mentioned in regard to this was that the effective exchange would to some extent counteract these imports.

23277. *Q.* But then according to your argument, the present duties of 11 per cent. on almost all—I am not talking of the 15 per cent. proposed in the present budget—could be increased without seriously affecting the price of articles.

A. I have never said so.

23278. *Q.* Would it affect the consumers?

A. Apart from other considerations such as the fluctuations in exchange if you put an import duty on an article, the price will inevitably rise internally unless that article is manufactured in the country and manufactured more cheaply as a result of certain measure of protection.

23279. *Q.* On page 2 of your answers you say "From this I draw the conclusion that import duties for revenue purposes may be very largely increased without seriously affecting the price of imported goods."

A. That is in reference to the fluctuation in the value of the rupee.

23280. *Q.* That is in reference to that.

A. For instance two years ago when the rupee was worth half a crown imported goods were very much more expensive than they are to-day.

23281. *Q.* This consumption tax about which my friend Sir Edger Holberton asked you is distinguishable from the excise duty. Is it not?

A. I do not know what is meant by the consumption tax. I don't know how you are going to levy it.

23282. *Q.* They say that a general consumption tax may be introduced in the country.

A. Is it like the tax which the French Government levied on sales?

23283. *Q.* Sales or manufactures?

A. Where is the tax going to be levied? I have not been able to understand how it would be levied and how it would be collected.

23284. *Q.* You don't approve of anything like a consumption tax.

A. I have not considered that question at all.

23285. *Q.* So far as the excise duty is concerned you think that it is not only inequitable but vexatious.

A. Yes.

23286. *Q.* And even a country like England which was badly in need of revenue during the war would dare not impose a tax like that.

A. There is no necessity for it.

23287. *Q.* This whole tax is wholly unjustifiable.

A. I have said so and I don't justify it.

23288. *Q.* Has this method of taxation been adopted by any other country in the world?

A. I have not studied the fiscal systems of other countries. I cannot say whether any other country in the

world has adopted this kind of taxation or not. I am told that Japan does it. I have only learnt that to-day.

23289. *Q.* You are against unrestricted competition.

A. I am against restricted competition. I hope that it is not a misprint in the statement.

23290. *Q.* From what I understand from your general written statement as well as your oral evidence I think that you would not object to protective import duties.

A. I would not object: in fact I favour them when the conditions are such that they can be imposed to the general advantage of the country, that is to say, when the country needs the industry, when it has certain facilities for carrying on the industry and when it only needs a measure of protection to get a successful industry going.

23291. *Q.* Then let us come to the point. Do these conditions exist now in India or not?

A. They do.

23292. *Q.* Would you specify those industries?

A. The iron and steel trade; the general mechanical engineering industries which are not developed in this country, they are the most important, in comparison with these the others are comparatively of minor importance: I have mentioned sugar, the possibility of aluminium; I have mentioned silk. The silk industry in India is capable of considerable development. Large quantities of silk are imported from Japan and China and if we take proper measures in this country to put the silk industry on a rational basis we should be justified in putting up protective duties on it till the industry got firmly established. At present it is something like the sugar industry: it is in the country, but it is of an inferior grade.

23293. *Q.* Then you want that coal should be protected?

A. Naturally.

23294. *Q.* On foreign coal would you put an import duty?

A. Yes, so that it should be on the same lines as everything else.

23295. *Q.* There is no justification for excluding coal at present?

A. No. Those people who invest their money and endeavour to develop hydro-electric plants have a reasonable right to expect that they shall receive equitable treatment in this matter.

23296. *Q.* And apart from that also, the industry itself requires development?

A. The coal industry does.

23297. *Q.* There are many coal-fields in India which are not fully developed?

A. I believe so.

The witness withdrew.

Witness No. 144.

Scindia Steam Navigation Company, Ltd., Bombay.

Written Statement, dated Bombay, the 25th February 1922.

23298. 1. The building up and development of an efficient Mercantile Marine has been recognised as a matter of great national importance. Not only is it necessary for the commercial and industrial growth of a nation, but it also serves as a great auxiliary to the naval defence of a country in times of war or great national emergency. Almost all the important maritime nations of the world have, therefore, realised and recognised the necessity of encouraging the development of the mercantile marine of their countries. India alone has, however owing to the influence and the opposition of the vested interests failed to recognise the significance of this high national purpose. The principle of State aid to the encouragement and growth of merchant shipping has found expression in various laws on shipping in the different countries of the world and has found further recognition in the following unequivocal words in the preamble of the American Merchant Marine Act of 1920:—

> "That it is necessary for the national defence and for the proper growth of its foreign trade and domestic commerce that the United States shall have a merchant marine of the best equipped and the most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States, and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine."

23299. 2. The important bearing, however, of this subject upon the inquiry of the Indian Fiscal Commission lies in the fact that the existence of an Indian Mercantile Marine will facilitate the attainment of an Industrial India. Not merely will the coastal trade between near ports increase in volume but an efficient mercantile marine will be of considerable help to the development of the import and export trade of the country. Small local shipping companies will undertake work which a larger concern would not condescend to handle. Exports of Indian manufactures will grow and will be able to capture new markets as the requisite special treatment will be given to them by national concerns. Imports of particular raw materials can also be facilitated by special rates. All these advantages will accrue if the Indian vessels are, as mentioned below, favoured by a reasonable manipulation of the tariff rates considered essential for the proper development of the industries of this country.

23300. 3. Bearing these facts in mind, let us examine the present position of Indian Shipping. India has got a coast line of nearly 4,500 miles in extent with an annual trade on the coast exceeding in value two hundred crores of rupees. She has also got a large sea-borne trade with the different countries of the world which reached the huge sum of six hundred and seventy three crores of rupees last year. But it is a great economic loss to India that she has not got her own merchant shipping to deal with this large trade both on the coast and with the foreign countries. Not only crores of rupees are taken out of India by non-Indian Shipping Companies by way of freight year after year, but the children of the soil are deprived of an important field of national activity for exercising their talents and finding means of their livelihood. The share of Indian Shipping on the coast last year was only 13 per cent. of the total tonnage employed, while her share in the foreign sea-borne trade did not reach even two per cent. of the whole tonnage engaged. This position of affairs therefore leads us to ask how is it that India has not been able to build up her own mercantile marine? She was once an important maritime country in the world and her ships used to sail far and wide on the distant seas. Her people have therefore, got the sea-faring instincts so necessary for the efficient working of merchant shipping. The daring and the ability of her lascars have been recognised. A large sea-board is at her very door. An enormous trade both on the coast and on the high seas has been assured. How is it then that in spite of these natural advantages India has got no mercantile marine of her own? Attempts have been made in the past and are being made now to start Indian Shipping Companies. Some of them had to wind up in the past and the majority of them have not met with success owing to the unfair and strangling competition of the powerful British Shipping Companies on the coast with their usual powerful weapon of a freight war, their system of deferred rebates and their influence in the Government circles both in India and in England coupled with the complete apathy and the want of the slightest encouragement on the part of the Government of this country. Unless, therefore, India recognises the important principle of State aid to the development of merchant shipping as is done by the important maritime countries of the world such as America, Japan, France, Italy, Austria, Russia, Holland, etc., it is not possible to build up and develop a strong and efficient Indian Mercantile Marine.

23301. 4. The system of granting deferred rebates adverted to a little above is a great difficulty in the path of Indian Shipping. Not only does it place the Indian Shippers, owing to the fear of losing their rebates, at the mercy of the powerful British Shipping interests as regards the rate of freights and the allotment of space, but it also tends to create a monopoly

and kill all legitimate competition. The United States of America have passed a law declaring this system illegal and the Commonwealth Government of Australia have decided to compensate those shippers who would patronise their line of steamers in case their rebates were to be confiscated by the Lines forming the Conference. Such patronising does not mean that shippers would be under an obligation to ship all their cargo by their line of steamers. It only means that they will have to give first refusal for the lifting of their cargo to the steamers belonging to the Commonwealth Government in case they are available. The Imperial Shipping Committee appointed in England have not yet pronounced their opinion as regards this system in connection with the trade between United Kingdom and Australia. Lord Inchcape has, however, given the assurance on behalf of the shipowners forming the Australian and New Zealand Conferences that they will not either directly or indirectly be parties to a policy or practice of penalising or of threatening to penalise shippers who may not give all their shipment to the Conference Lines, by shutting out cargo when there is room for it or by other discriminating methods beyond the forfeiture of rebates. Such assurance is of no avail for reasons which ought to be self-evident—at any rate it does not apply to the operation of such system in Indian waters. This system which, therefore, acts as a restraint on trade and prevents all legitimate competition should be declared illegal.

23302. 5. Exemption from port dues and import duties on ship building materials, re-imbursement of Canal dues, preferential railway rates and cheap loans to shipowners, construction and navigation bounties, coastal and admiralty subventions, general and special subsidies and the reservation of the coasting trade are some of the ways in which the important maritime nations of the world have aided and encouraged the development of their own mercantile marines. The various steps taken by each of these countries in this direction need not be exhaustively discussed here. A few facts, however, indicating the broad lines on which such development has proceeded may be indicated. First as to the building of the ships. Austria Hungary, France, Italy, Spain, Japan, Russia have encouraged the ship building industry by giving what are generally known as the construction bounties. They are calculated at so many shillings per gross ton and the nature of machinery of the vessel constructed. In plain words the State bears nearly 20 to 30 per cent. of the cost of the construction of the vessel. For instance, according to the law for the encouragement of ship building in Japan bounties at the rate of 11 to 22 yens per ton is payable on the vessels constructed by Japanese subjects or by Firms which have only Japanese subjects as members or share-holders. Loans at a nominal rate of interest are also advanced for encouraging ship building. For instance, England gave a loan of nearly £2·6 millions in 1903 to the Cunard Line at 2¾ per cent. that is about 2 per cent. lower than the market rate of interest for the building of the two steamers the S.S. " Lusitania " and the S.S. " Mauretania."

23303. 6. Then there are the navigation bounties or working subsidies. These bounties are given for the encouragement of the navigation of the vessels and are paid according to a scale based on the age, speed and gross tonnage of the vessel concerned as well as the number of miles travelled by it. For instance Russia paid more than 2·7 million pounds in 7 years while France paid more than a million pounds per year in this direction. Subsidies on similar lines have also been given for the extension of steamship routes. All these bounties or subsidies are given with a view purely to encourage and develop the mercantile marine. We also find Austria Hungary and Russia re-imbursing the Suez Canal dues for this purpose and it is interesting to note that the annual amount of such re-imbursement in Austria Hungary and Russia during the period from 1901 to 1910 varied from £80,000 to £100,000 per year. There are other forms of State aid which are conditional on the performance of certain services and are generally known as subventions. They are generally given for the carriage of the mails and for the purpose of specified services on specified routes. For instance Holland gave an annual subsidy of nearly £50,0000 to the Koninklijke Paketvaart Maatschappij (The Royal Packet Co., Ltd.) for performing certain specified service in the Eastern waters while Austria Hungary has granted a yearly subvention of £50,000 rising to £62,500 to Austrian Danube Steamship Co., Ltd., for a similar purpose until 1935. In this way the State is able to open up new routes to its own mercantile marine and it may be added that Italy spent nearly £3 million for this purpose in 12 years from 1901 to 1912.

23304. 7. One of the most powerful ways of developing the mercantile marine of a country is the reservation of its coasting trade, which has always been looked upon as a matter of domestic concern. The United States, France, Italy, Austria Hungary, Spain, Belgium and Japan have reserved their coasting trade to the ships flying the national flag. In this connection it is suprising to note that according to the Report of the Shipping Committee appointed by the Board of Trade in England and published in 1918 the British Shipping interests have strongly urged the reservation of the coasting trade of India and Burma to the British ships alone, although as a matter of fact nearly 80 per cent. of the trade on the coast is carried only in British Ships ! ! !

23305. 8. In order to show how the State aid has been able to create an efficient mercantile marine a table is appended giving particulars of the capital, tonnage, earnings, subsidies, etc., of the Japanese vessels from 1906 to 1919. This table is marked (*a*). It will be noted from the particulars given therein that for the first few years the earnings did not exceed the subsidies but later on the Japanese vessels made a larger profit and their dividend increased from 9 per cent. to nearly 20 per cent. on the average. Another interesting table marked (*b*) attached herewith will show that while in the year 1901 the purely Japanese tonnage which entered in the foreign trade of that country was nearly 30 per cent. of the whole tonnage employed, in 1911 the same exceeded 50 per cent. of the total tonnage entered and cleared in the foreign trade of the country. Not only do we note that this liberal help given by Japanese Government to their own mercantile marine has increased the profits of the Japanese Companies, and their share in the trade of the country, but we also find that the services of the Japanese Companies have made their ramifications through all the parts of the world. Attention is also drawn to the immense help the Japanese merchant marine has rendered to the development of the foreign trade of that country.

23306. 9. It will have been noted from what has been stated that unless the Indian Government recognises the principle of State aid to merchant shipping and the necessity of giving immediate effect to it, it is not possible for India to build up and develop an efficient mercantile marine. Such aid should proceed on the following lines :—

(*a*) *Ship-building.*—There is not a single Yard worth the name in this country in which steamers can be built. What we have got at present in the direction of ship-building is only the building of wooden boats and that too is not in an efficient condition. Cheap loans and construction bounties to the extent of not less than 25 per cent. of the cost of construction should be given by the State for the encouragement of ship-building industry in India and Boats constructed in this country should receive double the amount of the subsidies referred to below.

(*b*) The coasting trade of India and Burma should be reserved to the purely Indian Shipping alone. It must be distinctly understood that what is meant by Indian Shipping is ships registered in India and owned by Indian or by Indian Companies under Indian Management, three-fourths of whose shareholders and directors shall be Indians. Legislation should be passed enacting the reservation of this coasting trade to the Indian ships alone say at the end of 7 years or perferably 5 years. It should be further provided that during that period working subsidies should be given to the Indian ships plying on the coast and permission to the British and Foreign Shipping Companies to ply their present tonnage on the coast of India should be given on the basis of an annual reduction of their tonnage by 15 to 20 per cent. so that at the end of a fixed period none but the Indian ships shall get the permission to ply on the coast. It may be further added that the working subsidies referred to above may be given at the rate of Rs. 2 per gross ton of the vessel running at the speed of 10 knots per hour for every 1,000 miles travelled.

To illustrate I may say that if a ship of 3,000 gross tons running at 10 knots were to bring cargo from Rangoon to Bombay a distance of about 2,107 miles she would get about Rs. 12,000 as subsidy for that voyage. As soon as the entire coasting trade is reserved to Indian Shipping the granting of the working subsidies referred to above should be discontinued.

(*c*) *Foreign Sea-borne Trade.*—In paragraph 3, I have stated that the share of Indian Shipping in the Foreign sea-borne trade is less than 2 per cent. In order to encourage the Indian ships to capture a larger share of this trade the State should give subsidies on lines suggested in the paragraph above and should reimburse the Suez and the Panama Canal dues paid by such ships. Besides lower port dues should be charged to Indian vessels. The State should also adopt the system of preferential railway rates as is done in Germany so far as the goods exported and imported by Indian ships are concerned. The question of granting a rebate in the import and export duty on the goods brought in the Indian bottoms may also be considered. Special subsidies should be given for the carrying of mails and passengers and performing certain specified services between Bombay and United Kingdom. Preference should be given to Indian ships for bringing all railway materials and stores on Government account in the foreign trade of the country and after a fixed period none but the Indian ships should be allowed to bring these materials.

(*d*) There are at present no facilities in India for training young Indians in the science and art of shipbuilding, navigation, marine engineering and wireless telegraphy. Government should, therefore, give scholarships and make arrangements in England and elsewhere to enable students to go there and receive practical training in this direction. They should also start Nautical Colleges and provide training ships at important centres in this country for the quicker attainment of this object. Subsidised ships should also be under an obligation to take and train up a certain number of apprentices at Government expense. Fears have often been expressed that Indian students trained in this manner will find it exceedingly difficult to get employment at sea. Early steps should therefore be taken to recruit Indians for services in the Royal Indian Marine. As the Indian Shipping will develop, it will be able to provide employment for such trained men at sea. The ultimate object should be that the Indian shipping should be entirely manned by Indian Officers, and Indian crew.

Bombay, 25th February 1922.

ROYAL ASIATIC SOCIETY LIBRARY OF THE BOMBAY BRANCH OF THE

JAPAN.

23307. Summary of fourteen years' working.

Year.	No. of Cos.	Paid up Capital.	Vessels.		Receipts.			Net earnings.
			No.	Tons gross.	Earnings.	Miscellaneous receipts.	Shipping subsidies and bounties.	
		£			£	£	£	£
1906 . . .	13	4,316,700	344	491,258	3,269,965	398,394	492,728	401,517
1907 . . .	16	5,713,517	537	527,766	3,883,272	387,199	835,503	441,415
1908 . . .	18	5,927,150	543	564,179	3,877,347	209,695	862,339	384,713
1909 . . .	20	6,005,018	538	575,872	3,748,770	187,796	1,106,430	428,075
1910 . . .	20	6,144,257	525	600,042	4,089,140	203,809	1,161,066	771,009
1911 . . .	20	6,163,630	454	648,866	4,489,431	222,272	1,221,594	864,944
1912 . . .	18	6,065,101	419	702,738	5,190,030	263,978	1,185,160	1,033,977
1913 . . .	23	6,248,400	582	785,190	5,963,042	324,213	1,152,195	1,570,382
1914 . . .	24	6,525,800	578	841,931	5,796,573	336,269	1,123,057	1,259,082
1915 . . .	24	6,579,650	608	895,615	7,584,541	588,763	840,645	2,145,085
1916 . . .	28	8,047,500	603	980,793	15,190,436	567,480	724,849	6,311,017
1917 . . .	52	17,420,000	803	1,127,483	29,513,179	2,392,110	681,933	14,314,307
1918 . . .	65	26,988,250	1,496	1,386,642	63,845,195	2,631,408	607,283	21,844,380
1919 . . .	56	26,932,827	1,542	1,397,813	56,457,500	3,308,671	565,825	10,129,098

Year.	Amount brought over from the preceding year.	Distribution.			Rate of dividend per cent.
		Reserve.	Bonuses.	Amount of dividends.	
	£	£	£	£	
1906	162,055	33,315	67,870	398,741	9·23
1907	85,428	41,789	21,044	435,455	7·37
1908	50,860	40,804	23,498	421,030	7·10
1909	48,064	37,615	21,525	377,364	6·28
1910	44,217	179,901	23,680	395,338	6·43
1911	123,390	286,885	29,138	485,444	7·87
1912	214,252	515,096	38,294	552,697	9·11
1913	141,282	866,516	42,566	538,473	9·41
1914	212,757	698,669	45,477	529,652	8·11
1915	178,048	1,186,954	88,905	862,159	13·10
1916	217,732	1,580,321	206,285	2,336,035	26·11
1917	2,498,728	7,908,031	594,094	7,200,464	41·33
1918	1,084,407	9,803,265	533,116	9,717,456	36·00
1919	1,868,778	4,765,187	325,932	7,530,032	27·96

Japan.

23308. The following table shows the totals of Japanese and foreign tonnage entered and cleared at Japanese ports during the period 1901-1911.

Entered.

Year.	Japanese.		Foreign.	
	Total.	of which steam.	Total.	of which steam.
1901	3,928,798	3,861,659	7,122,582	7,018,077
1902	4,381,418	4,309,164	7,193,028	7,090,249
1903	5,210,477	5,130,809	8,360,912	8,288,609
1904	1,225,367	1,173,448	10,273,437	10,203,534
1905	1,839,108	1,771,765	12,533,975	12,487,772
1906	7,336,162	7,257,088	11,747,292	11,699,508
1907	8,857,436	8,770,491	11,469,259	11,429,162
1908	8,720,843	8,629,759	11,494,734	11,474,498
1909	9,587,222	9,497,611	10,207,229	10,173,179
1910	9,348,659	9,261,035	10,825,128	10,812,645
1911	9,393,351	9,338,609	10,660,218	10,654,728

CLEARED.

Year.	JAPANESE.		FOREIGN.	
	TOTAL.	of which steam.	TOTAL.	of which steam.
1901	3,952,684	3,883,782	7,112,267	7,016,357
1902	4,399,744	4,324,213	7,205,329	7,097,378
1903	5,233,495	5,148,531	8,350,584	8,270,692
1904	1,130,594	1,074,900	10,158,812	10,084,452
1905	1,849,817	1,782,046	12,346,008	12,293,694
1906	7,339,229	7,259,207	11,711,693	11,665,123
1907	8,853,904	8,756,448	11,248,937	11,210,349
1908	8,677,140	8,586,841	11,455,798	11,434,445
1909	9,691,590	9,600,490	10,196,912	10,160,837
1910	9,463,875	9,375,809	10,753,679	10,741,356
1911	9,504,465	9,449,570	10,545,249	10,539,759

JAPAN.

23309. Total amount of subsidies of all kinds: The following table shows the total subsidies, whether for postal or otherwise, paid by the Japanese Government during the 10 years from 1902 to 1911, inclusive:—

Year.	Extension of steamship routes.	Encouragement of navigation.	Encouragement of shipbuilding.	Training of seamen.
	£	£	£	£
1902	626,033	69,039	41,992	1,021
1903	646,437	81,915	44,693	1,021
1904	211,390	2,891	20,701	510
1905	170,003	8,409	58,609	510
1906	485,915	100,350	50,473	510
1907	716,225	98,182	69,146	510
1908	700,216	137,456	154,102	510
1909	815,521	282,061	104,274	510
1910	1,002,147	185,211	114,090	510
1911	1,116,922	168,107	112,695	510

Year.	Subsidy to lifeboats.	Subsidy to Konan Steamship Co.	TOTAL.
	£	£	£
1902	2,041	875	741,001
1903	2,041	2,641	778,748
1904	1,021	3,675	240,188
1905	1,021	3,669	242,221
1906	1,021	4,211	642,480
1907	2,041	....	886,104
1908	2,041	....	994,325
1909	2,041	....	1,204,407
1910	2,041	....	1,303,999
1911	2,041	....	1,400,275

Oral evidence of Mr. WALCHAND HIRACHAND, representative of the Scindia Steam Navigation Company, Ltd., Bombay.

23310. *President.*—*Q.* You represent the Scindia Steam Navigation Co., Ltd.?

A. Yes.

23311. *Q.* When was this company established?

A. At the beginning of March or April 1919.

23312. *Q.* You have given a very interesting history of the establishment of the shipping industry in various countries and it appears to me unnecessary to take you over all that important information. I should just like to ask one point about it, and that is whether the various statements you have made as regards the directions in which the various countries took action for establishing the shipping industry are based on authoritative information?

A. Certainly. Most of it I have got with me. I can quote chapter and verse for most of them. If you like I will send those to you.

23313. *Q.* If you send it to the Secretary, we shall be obliged. It should be very interesting. I do not wish to take you over all the statements: it is sufficient to know that they are authoritative.

A. May I state they have all been taken from blue books?

23314. *Q.* You think for Indian conditions it is of great national importance to establish the shipping industry in India?

A. Yes.

23315. *Q.* You think that even free trade England has taken measures of the kind indicated by you to establish and maintain the Mercantile Marine of the British Empire?

A. Yes. For 200 years, from the time of Cromwell, Great Britain was the most drastically protective nation that ever existed. Even now while she is professing free trade she is protecting herself wherever she is finding it necessary. I have given the instance of the loan on easy terms given by the British Government to the Cunard Line for building the "Lusitania" and the "Mauretania." £40,000 was given for carrying bananas from Jamaica to England. These are the various methods by which she has been protecting herself.

23316. *Q.* £40,000 paid by the British Government?

A. Yes.

23317. *Q.* Jamaica Government or the British Government?

A. The British Government paid £40,000 a year for carrying bananas from Jamaica to England.

23318. *Mr. Mant.*—*Q.* Paid to whom?

A. To a British shipping company.

23319. *Sir Montagu Webb.*—*Q.* Can you give us a reference in that case?

A. I will send all these references.

23320. *President.*—*Q.* I do not want to ask the witness for all the references now. If there is any particular one which any member wants he can ask for it. The witness in the written statement has dealt with America, France, Italy, Switzerland, Japan, Austria, —in fact the whole of the civilised world. If I am to examine him on all these points there is hardly any time.

A. As it is we have got to be content with getting it written. If there is any particular point you may ask for it when you examine him. I would rather not go into this matter at this stage.

23321. *Q.* Then you think that the Indian Government should recognise the principle of State aid to merchant shipping and give immediate effect to it and you advocate that such State aid should be given in the directions which you have indicated. You want ship-building yards to be constructed in India and for construction purposes cheap loans, construction and navigation bounties, reservation of the coastal trade, all these to be given by the Government. Would it not be better if India wished to establish a mercantile marine that she should take advantage of the ready made cheap steamers now available instead of building new ships at greater cost?

A. The case is rather of very urgent importance. To build a ship now it will cost £18 a dead weight ton, but we can buy a brand new boat at the rate of £10 a dead weight ton. This is the most opportune time to establish an Indian mercantile marine by going in and buying ready made ships. If we go in and buy 70 boats it will cost us 5 or 6 crores. The whole of our coastal trade can be handled by these 70 boats. It will cost us 80 per cent. more to build these ships.

23322. *Q.* Your object in establishing a shipping yard is for the permanent advantage?

A. Exactly.

23323. *Q.* The immediate need can be supplied by buying ready made boats?

A. Yes.

23324. *Q.* Then, as regards the coasting trade your idea is to reserve it in course of time exclusively for Indian ownership and management?

A. Very emphatically, I want that.

23325. *Q.* Until the entire coasting trade is reserved for Indians, you want the Government to give you a working subsidy during a certain period?

A. In the initial stages when this rate-cutting or the strangling process of the vested interests is going on, I want the coasting trade to be closed to them entirely after a certain period.

23326. *Q.* You say that the distance from Rangoon to Bombay is 2,107 miles and you want for that voyage a subsidy of Rs. 12,000 for a steamer of 3,000 gross tons. Now, what would be the total freight from Rangoon to Burma if a steamer sailed from Rangoon to-day carrying rice to Bombay?

A. That varies. The normal freight when we went into the shipping trade of Rangoon was Rs. 18. The moment we went in the vested interests, we may call them the Conference lines, or conspiracy lines, at once reduced it to Rs. 10. They reduced the rates in order to kill the Indian company. The actual operating cost to us was Rs. 11-8. I think to them also it might be somewhere near that—possibly higher on account of their bigness or inefficiency. If we take Rs. 10, the current rate, and if you give us Rs. 2 per gross ton, which we ask for, it will enable us to meet our actual operating cost. Rs. 2 is 20 per cent. of the current freight. Our actual operating cost at present is Rs. 11-8.

23327. *Q.* They may reduce the rate further?

A. They have done some remarkable things. In one case they not only did not charge anything, but presented a handkerchief to each of the passengers.

23328. *Q.* If they do so again, how will you compete?

A. That is where the Government comes in. I want their trade to be restricted. Every year 15 or 20 per cent. of the non-India tonnage should be reduced: the licenses given to non-Indians should be reduced.

23329. *Q.* You say that Japan has restricted her coastal trade to vessels carrying the Japanese flag.

A. Not only Japan, but even America has done it very drastically.

23330. *Q.* Can you give authorities?

A. Any amount of authorities.

23331. *Q.* Are they authoritative? We had representatives of the Japan Cotton Spinners' Association who said that there is no such restriction?

A. I can send you the whole literature.

23332. *Q.* Then you want further assistance for the foreign sea-borne trade and you want to State to pay the Suez Canal and Panama Canal dues?

A. Every nation is doing it and even Great Britain is doing it.

23333. *Q.* Then you want special subsidies?

A. Only to-day I read in the papers that America is going to give a subsidy of 32 million dollars, which comes to 12 crores of rupees, per year to American shipping. In addition railways can give preferential rates to goods handled by American ships. This comes to about 40 per cent. reduction of the rates. It is also provided that not more than 50 per cent. of the immigrants may be transported in foreign ships.

23334. *Q.* You want in addition to preferential railway rates for goods carried in Indian bottoms, a rebate in the import and export duties on goods carried in Indian bottoms?

A. Yes. All these cases cannot and need not be applied to every single individual boat. Each individual line can be considered by itself and such items as seem necessary may be applied. I do not want all of them to be applied to every boat.

23335. *Q.* Then you advocate nautical colleges and provision of training ships at important centres?

A. This is most essential.

23336. *Q.* And you suggest that every step should be taken to recruit Indians for service in the Royal Indian Marine?

A. Yes. We have started on a small scale, and we want Government to come to our aid,—not to the full extent, but if Government could train for us 23 officers that would do.

23337. *Q.* Do you realise that the giving of all the concessions that you ask for will mean a very heavy burden on the Indian tax-payer?

A. No: I do not think so at all.

23338. *Q.* Where is all the money to come from? Will it not be a heavy burden on the Indian tax-payer?

A. Are you referring to the capital outlay?

23339. *Q.* In para. 9 (*a*), (*b*), (*c*), (*d*), of your written statement you have enumerated all the various concessions that you require. I have taken the cumulative effect of all these stages, which are not alternative but cumulative. Would it not be a very heavy burden on the Indian tax-payer? At present India is being served by competitive steamers. At present India has no mercantile marine. At present we are getting our overseas trade carried by various foreign lines.

A. For their own benefit.

23340. *Q.* Our trade is being carried on competitive lines. Nobody has got a monopoly so far at least as our overseas trade is concerned. Now, I ask you whether we will have to pay more for maintaining and subsidising an Indian company or companies,—you do not want a monopoly: you want Indian companies to compete amongst themselves on the strength of all these various concessions. If we have to pay more obviously it will lead to an excessive burden on the Indian tax-payer. You have either to admit that it will be a heavy burden or that it will not be. Please answer.

A. The cost should be negligible. There might be a slight additional burden, but it will be negligible. That sacrifice must be made. The burden will remain only for a short time. The sacrifice will be negligible in comparison with the crores of rupees we pay every year as freight. The Japanese figures I have given will show how Japan benefited in course of time.

23341. *Q.* We do not know how much Japan paid in the initial stages. If you are prepared to work out a scheme and send it to us, we shall be very glad because it will help us. But assuming that there will be a substantial burden your view is that in the national interests, in the interests of the safety of India, it is essential that the tax-payer should pay this money. On that basis you have put forward these proposals?

A. It is not substantial, and even if it is substantial that sacrifice should be made.

23342. *Sir Manakjee Dadabhoy.*—*Q.* I quite agree with you, Mr. Walchand, that ship-building is a very essential industry and that an Indian mercantile marine ought to be raised as far as possible. I am quite in agreement with that suggestion. I also see that there is a great deal of force in the different methods by which you seek the state aid. But you know that it is a very formidable catalogue of demands that you have made. You cannot get all these demands; it is impossible at present. But if it was possible to do anything in any one of the directions I want to know to which you would give preference?

A. In the first place I do not think it is impossible. I would give preference to reservation of the coasting trade entirely to Indian boats.

23343. *Q.* Now, you know that at present freights are very low. Freights go a-begging?

A. Yes.

23344. *Q.* You also know that ships are numerous at present. At one time it was apprehended that there would be a dearth of ships, but now we find that there are more ships than are actually required?

A. Yes.

23345. *Q.* And you also know that India being a country relying on foreign imports it is essential in the interests of India to have cheap freights?

A. Relying on foreign imports or relying on her exports?

23346. *Q.* I will come to exports later on. At present we are not a manufacturing country?

A. But we are going to be in a short time.

23347. *Q.* That is what we are struggling to do, but at present we are not. At present our necessity is to get the foreign articles that we consume in this country as cheap as possible, and it is for that purpose that we require cheap freights?

A. Yes.

23348. *Q.* But freights have considerably fallen at present. In fact I understand they are 30 per cent. of what they used to be. Is that so?

A. Are you referring to the pre-war rate of freight or the war rate?

23349. *Q.* I refer to the rate that existed two years ago.

A. That is the height of the boom period immediately after the Armistice. Let us, however, assume that it has fallen to 30 per cent. I do not understand the question.

23350. *Q.* They have fallen to this extent. In view of this fact, if we subsidise Indian boats what will be the position?

A. This is only due to the world-wide depression: this is only a temporary slump. Even if we do not make money and even if we continue to lose, in the interest of the nation we ought to have a mercantile marine.

23351. *Q.* How long will you take to get a marine?

A. I have said 5 or 7 years, but we ought to do it much quicker.

23352. *Q.* Is this the ideal time?

A. It is the most ideal time.

23353. *Q.* It is the ideal time so long as we can pay 5 or 6 crores!

A. I do not want the Government to find the 5 or 6 crores. I want the Government to give protection. We can then get the 5 or 6 crores.

23354. *Q.* Then you will get it! Of course you will get this, because where freights are 10 shillings we shall have to pay about £1½.

A. No: not as much as 200 per cent. I have asked you only Rs. 2 per ton. Instead of 10 shillings you would be paying 12 shillings.

23355. *Q.* Instead of suggesting these diverse means which are impossible to carry out, why don't you say in so many words "Let the Government of India give a bounty of 20 per cent. to Indian ships?"

A. I do not think it is impossible in the first instance. If I am asked to make a choice I have said I would prefer reservation of the coasting trade.

23356. *Q.* Then, why don't you give precedence to the reservation of the coasting trade?

A. I was looking to the long run of the thing.

23357. *Q.* We all agree. I do not think anybody will disagree with you. The question at present is one of possibility.

A. Would you rather desire me to make it more emphatic and say that reservation of the coasting trade is the most important?

23358. *Q.* Yes. With regard to the reservation of the coasting trade, you have spoken about the conspiracy,—I will take your word. How can you get rid of those vested interests? Shall we stop those companies from working? Shall we say that the existing companies should not be allowed to trade?

A. Surely I say so. Every other country has done so.

23359. *Q.* That means you will have to pay compensation?

A. Every other country has done it without paying compensation.

23360. *Q.* Where the company is newly started I can understand that.

A. There are companies trading in my shores. I tell them "Don't you come." There is no agreement on the part of the Government. Government can tell them "Don't come to our shores." They would be perfectly justified if they said so.

23361. *Q.* You make that difference between non-Indians and foreigners. Do you include the Britishers among the foreigners?

A. An Indian company is a company having 75 per cent. of its capital in Indian hands and having on its directorate 75 per cent. Indians.

23362. *Q.* That is in regard to the new companies that may be started?

A. I am talking of the existing companies: they have to be eliminated.

Mr. Seshagiri Ayyer.—They have no vested interests: they are vested interests that come in the way of our national development.

23363. *Mr. R. A. Mant.*—*Q.* You have asked for a number of concessions. Many of them seem to me hardly to come within the scope of this Commission. So I am not going into them all. I am only going to ask you about the one concerning the tariff policy. You say: "All these advantages will accrue if the Indian vessels are, as mentioned below, favoured by a reasonable manipulation of the tariff rates considered essential for the proper development of the industries of this country." I am not quite sure what manipulation of the tariff rates you are referring to here. In your subsequent proposals I do not find that clear.

A. By manipulation of tariffs, I may cite the instance of the United States. They charge a duty of 10 per cent. on goods coming in non-American boats. But if the goods come in the boats of their own country they get a reduction of 5 per cent. I want a similar manipulation in India.

23364. *Sir Montagu Webb.*—*Q.* Tariff on goods?

A. It amounts to import duties.

23365. *Mr. Mant.*—*Q.* Is it not at so much per ton? Or is it 10 per cent. on the value of the goods.

A. I think so.

23366. *Sir Montagu Webb.*—*Q.* It is preferential import duties based on shipping. The Secretary may be able to find out what it is.

A. I have got a small extract from the American Merchant Marine Act of 1920 otherwise known as The Jones Act. It will be seen therefrom that 10 per cent. *ad valorem* duty is imposed on all imports in vessels not of the United States. All imports by water are forbidden except in American vessels or vessels belonging to the country from which the imports originate. But this does not apply to cases where the nations do not maintain a similar regulation against the United States Vessels; but a 5 per cent. discount is allowed on all duties on goods imported in American ships.

23367. *President.*—Please read it.

Sir Montagu Webb.—I think the witness may place the reference with the Secretary.

President.—*Yes.*

23368. *Mr. Mant.*—*Q.* Do you know of any other country which gives special tariff rate or rebate to goods carried in its own vessels?

A. As regards coastal vessels almost all countries except the United Kingdom.

23369. *Q.* I am not asking about monopolies coastal trade. It is a question of rebate of import duties on goods carried in their own vessels.

A. Almost all nations. I remember Portugal very recently passed an Act like that. Portugal is the latest example. I think Mexico has done a similar thing.

23370. *Mr. T. V. Seshagiri Ayyar.*—*Q.* On this point, I think I remember to have read a Reuter's telegram suggesting that even in England there should be some sort of thing like that. It is the resolution of the Chamber of shipping. The Chamber 'urges the Government to direct their attention to a foreign Government which has recently adopted or threatened to adopt, measures of "flag discrimination," pointing out the prejudicial reactions of such measures on the trade of the world and the unreasonableness of expecting a continuance of free navigation and equal trading rights hitherto accorded by the British Empire in face of measures hurtful to its shipping'.

A. I think that refers to Portugal.

23371. *Q.* Yes. The Chamber of shipping is now advocating the pressing necessity of the English Government to pass a similar law.

A. I think they go further. They want to restrict the coastal trade to English and British ships. Although 80 per cent. of our coastal trade is carried in British vessels, they want the whole coastal trade should be confined to the British.

23372. *Sir Montagu Webb.*—*Q.* British includes Indians.

A. The share of the Indian shipping last year was 13 per cent.

23373. *Mr. T. V. Seshagiri Ayyar.*—*Q.* If the United States can impose such a law, you would certainly like to have a similar law in India where the trade is in its infancy. I take it that that is your position.

A. Yes.

23374. *Q.* In answer to the President you suggested the imposition of further taxation in order that the shipping industry may be developed. Would you in addition impose upon foreign ships which visit your ports a duty which would serve as a fund for the purpose of giving bounties to Indian ships just as is being done in South Africa?

A. Yes. When I said that the burden will be nil, I had that in my mind that this additional revenue which was to help us should be got from foreign nations who had benefited for the last 50 years or hundred years.

23375. *Q.* I believe your idea is that the Indian steamers when they are formed should form a sort of Conference as is being done in Japan and that there should be a particular rebate given to the goods which are carried by them. Is it not so?

A. I do not wish that the Indian companies should form a conspiracy or conference just as other non-Indians have formed. I do not think I have ever mentioned that. Rebate is sometimes a most pernicious system.

23376. *Q.* You don't want that?

A. No.

23377. *Q.* A witness from Japan gave an instance of a Conference in which the Japanese ships have preference for coasting trade. He said that only certain coasting steamers which enter the Conference are entitled to the coasting trade and that others cannot.

A. That means that Japanese boats do not make any discrimination between particular Japanese boats.

23378. *Q.* All those who enter the Conference have got the benefit. My point is this. If such a Conference as that were inaugurated, would you like to take any British Steamship companies also in that?

A. It is not a question of our taking them but it is a question of their coming in. I do not think it is feasible. We want to eliminate them altogether.

23379. *Q.* In Japan they are allowing it?

A. I am not sure, I think not in the coastal trade.

23380. *Q.* In paragraph 3 you say "not only crores of rupees are taken out of India by non-Indian shipping companies by way of freight year after year, but the children of the soil are deprived of an important field of national activity." What do you mean by crores of rupees being taken away from India?

A. Exact statistics of freight are not now available. From the total value of trade and the total tonnage I estimate roughly in freight alone about 80 crores of rupees are paid by India to non-Indian companies, out of which roughly only about 15 crores are spent in the country and that too not in the interest of the country. The other 15 crores leave the shores of India and go to Leadenhall Street. All these 15 crores could have been kept in India for India's good for the last 50 or 100 years.

23381. *Q.* In paragraph 7 you say, 'according to the Report of the Shipping Committee appointed by the Board of Trade in England and published in 1918, the British Shipping interests have strongly urged the reservation of the coasting trade of India and Burma to the British ships alone.' I believe your suggestion now is that the Indian Government should pass an ordinance to the effect that this coasting trade should be reserved entirely for Indians?

A. Certainly, as almost all other countries have done.

23382. *Q.* In this coasting trade do you include river navigation also?

A. I do not, because the Government statistics exclude it. But I am strongly for the elimination of vested interests. The river trade is now in the hands of non-Indians.

23383. *Q.* Do you think it is possible that the Indians would be able to find capital to have these ships?

A. Immediately protection is given you will possibly find some companies starting in a very short time.

23384. *Mr. Jamnadas Dwarkadas.*—*Q.* I understand from your statement that there are three things which you want from Government, (*i*) State aid for ship-building, (*ii*) the reservation of the coasting trade for Indian shipping, (*iii*) and foreign sea-borne trade. The fourth is training with which I do not want to deal with at present. First, let us take ship-building. You want the encouragement of the ship-building trade in India.

A. Yes.

23385. *Q.* I take it that so long as it is encouraged in India you do not make any distinction between an

European firm doing it in India with a rupee capital and an Indian firm.

A. I do make a distinction. I think there must be 75 per cent. of Indian directorate which automatically will bring an Indian managing agency.

23386. *Q.* You would make that distinction?

A. Certainly.

23387. *Q.* You do not think that the establishment of ship-building industry in this country by any agency will be of advantage?

A. No; I would rather not have it.

23388. *Q.* You will admit that the English shipping companies have considerably helped the development of Indian trade and industries.

A. For their own purpose, for the purpose of exploitation.

23389. *Q.* India has not suffered by them?

A. Considerably. If we had our own mercantile marine we would have improved many more times.

23390. *Q.* How many Indian steamships are in existence?

A. Rather put the question, how many have been allowed to exist? Everything born was killed by these vested interests, killed by direct and indirect and all sorts of methods. I just now gave an example of how the Scindia Steam Navigation Company was attempted to be strangled.

23391. *Q.* Suppose the Government gave you the aid that you propose and made a distinction between Indian and non-Indian companies, would it not be tantamount to giving a monopoly to a single company or one or two companies who may combine?

A. Not at all, it is against nature. Many companies will be coming in.

23392. *Mr. Coyajee.*—*Q.* Has any British Dominion excluded British ships from their coastal trade?

A. They have encouraged their own mercantile marine by very drastic measures. Australia gave five million sterling to build its own boats. Canada is more or less doing the same thing. They have got mercantile marines of their own. But we have got nothing.

23393. *Q.* Have they excluded British shipping at all?

A. Not as far as I am aware.

23394. *Sir Montagu Webb.*—*Q.* I have some concern with some of the chief shipping companies in the world, and I have read your statement with very great interest. I think the various concessions for which you ask do not appear to come within the purview of this Commission and it occurs to me whether would it not simplify matters if we were to ask the Government simply to straightaway give a guaranteed dividend of 25 per cent. on any money invested in the shipping industry. I think that would simplify the complications. Would you not have a guaranteed return in preference to the various bounties which you suggest?

A. Yes, but not 25 per cent.

23395. *Q.* You can modify the figures?

A. Yes, say 10 per cent.

23396. *Q.* To simplify the working of the details of these possible concessions we can do this just as they do in railways.

A. We might do that. We find that even feeder railways are going to get 7 per cent.

23397. *Sir Edgar Holberton.*—*Q.* Are you the manager of the Scindia Steam Navigation Company?

A. I am one of the Directors, I am not a manager.

23398. *Q.* You are not the managing Director?

A. There is no managing Director. It is a firm of managing agents.

23399. *Q.* You are a partner of that firm?

A. I do not consider myself a partner. I am a sub-partner. I have actually to do something with the executive functions of the managing agents.

23400. *Q.* You are the person who is most directly interested in the management of this firm.

A. I won't put it so strongly as that. I am looking after the affairs of the company in conjunction with my colleagues.

23401. *Q.* I suppose you have been interesting yourself in this company from its beginning.

A. Yes.

23402. *Q.* You have been in trying times with freight wars and other things that may be considered unfair competition.

A. Yes.

23403. *Q.* I am inclined to think that the trying times you have had in connection with this company have made you a little bitter against other steamship companies in general.

A. The experience of even those times before our company came into existence is exactly the same, if not worse. One cannot believe the history as to the way in which the Tuticorin Company was killed by the vested interests.

23404. *Q.* I believe that for the last 50, 60 or 70 years India has been served with steamship services which have carried her goods from port to port and from ports to foreign countries and from foreign countries to this country to the general satisfaction.

A. I am not prepared to say that. I just replied to Mr. Jamnadas Dwarkadas that it was done in their own interests.

23405. *Q.* Do you say that the shipping trade has not been carried to the satisfaction of the country for the last 50 or 60 years?

A. It has not.

23406. *Q.* Can you tell me any point in which they have not given satisfaction?

A. In the case of shipping it has not got a single Indian officer.

23407. *Q.* I am talking of trade. I am simply a merchant. There is no racial question in my position. Can you tell me in what way the company has fared in the matter of carrying goods from port to port?

A. It has not been in the interests of the country in the first instance.

23408. *Q.* Indeed?

A. It has been in the interests of the English. It might have been helpful to the average Indian trader who is interested in the import and export of goods. But to the nation at large it would have been much better carried by an Indian company.

23409. *Q.* That is to say more cheaply and more safely?

A. Naturally it ought to be cheaper.

23410. *Q.* And more safely?

A. I do not know what you mean.

23411. *Q.* The question of insurance is a big question for merchants.

A. If it is only insurance, certainly. If you are referring to the protection by the navy, that is quite a different thing. If by safety you mean insurance we should have done better.

23412. *Q.* Then for the last 50 or 60 years the proper facilities have not been given to merchants for the transport of their goods from India. Is that your position?

A. It would have been better.

23413. *Q.* In what way?

A. Cheaper and safer and in the interests of the Indian trade.

23414. *Q.* That is to say these ships have been charging too much?

A. Yes. They were running very expensively and charging the merchants too high a rate.

23415. *Q.* The Indian shipping is yet in its infancy. Nobody has been able to compete with European shipping.

A. Because of the apathetic or non-Indian Government.

23416. *Q.* You say British shipping is expensive, yet there has been no opposition to that? Why?

A. Because of the vested interests; because the Finance Commissioner was the brother-in-law of the ship-owner or something of that sort.

23417. *Q.* What advantages have these people had?

A. What have they not got?

23418. *Q.* Tell me plainly what advantages they get and don't generalise. I am talking as a representative of the shipping company. You say that they have unfair trading advantages and that is why they have been able to carry on the business extensively.

A. Do you want concrete instances and names?

23419. *President.*—*Q.* Please give only instances and not names.

A. I went to the Rice Commissioner XYZ. I told him "I am prepared to carry your rice at the same rate as my competitor. I am an Indian, paying my full Indian income-tax." I was refused. Not only that, I was definitely told "I will continue to patronise my countrymen."

23420. *Sir Edgar Holberton.*—*Q.* When was that?

A. At the beginning of 1921.

23421. *Q.* Let us pursue this point. How much rice did you offer to carry?

A. I will have to refer to my books.

23422. *Q.* Probably the man had 250 tons to transport and he wanted to employ the man who would carry so much.

A. There was no such justification. We have considered from all points of view and I don't think that there was any such justification.

23423. *Q.* You think that you were badly treated by Government officers.

A. Every day.

23424. *Q.* For 60 or 70 years?

A. I know of many cases from my own immediate experience. I can multiply them to any extent if I am to collect my information from the records of the last 50 years.

23425. *Q.* Do you consider that this interest which has served India, badly you say, for 70 years should be removed by a stroke of the pen, that is to say, the "permission to the British and foreign Shipping Companies to ply their present tonnage on the coast of India should be given on the basis of an annual reduction of their tonnage by 15 to 20 per cent."

A. As every other country has done.

23426. *Q.* Every other country has done?

A. They have restricted the coastal traffic.

23427. *Q.* These ships belong to the British Empire. They have been customed and built up on Indian trade. They are not foreign ships coming from Japan. Their business has been built up in India with the encouragement of Indians for the last 60 or 70 years. These people have been of great advantage to India, that is the opinion they have carried.

A. I am not one of them fortunately.

23428. *Q.* But you see these Indian shareholders, British shareholders and all sorts of people.

A. There is no Indian shareholder.

23429. *Q.* Not on the B. I. S. N. Co.

A. No.

23430. *Q.* As regards the P. & O.

A. There may be a few stray Indian shareholders.

23431. *Q.* Now we are getting to the point. Because these people have their vested interests, you want to get rid of them.

A. They deserve to be.

23432. *Q.* On purely racial grounds?

A. For the development of the country itself.

23433. *Q.* You are not going to help the country at all.

A. Why not.

23434. *Q.* It is no use telling me that.

A. I only believe what I am telling you.

23435. *Q.* You want to do away with all the vested trusts which for 60 years filled up the gap when nobody was in the field.

A. Nobody was allowed to. The children of the soil were never allowed to do that.

23436. *Sir Montagu Webb.*—*Q.* As a representative of several shipping lines with 30 years' experience behind me, may I say that I know that these lines have been competing with each other with the greatest goodwill, that they have been frequently run at a loss and that I have never known in the whole of my experience any racial distinction being made.

A. They were all of the same race.

Supplement I to Witness No. 144.

Copy of a letter, dated the 17th March 1922, from the Scindia Steam Navigation Company, Limited, Bombay, to the Secretary, Indian Fiscal Commission.

23437. During my evidence before the Indian Fiscal Commission in Bombay, the President asked me "what will be the cumulative effect of the demands set forth by you in paragraph 9 of your written statement" and further added "will it not involve a further burden of taxation on the country"? In reply I observed "even if it involved a fresh burden of taxation on the country, it must be faced. Having regard to the national importance of the industry I believe such sacrifice is necessary." I further remarked "it is possible to devise a scheme whereby funds required for meeting the demands made by me can be found to some extent without the burden of fresh taxation." The President thereupon requested me to send to the Commission the scheme I had in view. I have, therefore, now the pleasure to set forth my suggestions in this connection.

23438. As I observed in my answer to Sir Maneckji Dadabhoy I give the first place of importance to my demand for the reservation of the Coasting Trade. I have suggested that the entire coasting trade of India and Burma should be reserved to the Indian Shipping at the end of 7 years preferably at the end of 5 years and that during the period subsidies should be given to Indian Shipping on certain conditions. I may here correct the error in line 14, clause (*b*) of paragraph 9 of the written statement. Instead of the words "gross ton" they ought to read "net ton". From the annual statement of the coasting trade and navigation of British India, I calculate that roughly 40 to 50 lakhs of tons of cargo are carried every year on the coast. As I have suggested that permission to the British and Foreign Shipping Companies to ply their present tonnage on the coast of India should be given on the basis of an annual reduction of their tonnage by 15 to 20 per cent; I believe that about ten to fifteen lakhs of rupees will be required for subsidising Indian Shipping on the coast during the first year, about rupees twenty lakhs second year, about thirty lakhs third year, about forty lakhs fourth year, and about fifty lakhs fifth year. No subsidies are to be given at the end of five years when the entire coasting trade of India and Burma shall be reserved to Indian Shipping. It, therefore, comes to this that about Rs. 150 lakhs will have to be spent in 5 years for subsidies on the coast.

23439. The next point of importance is the strengthening of the position of Indian Shipping in the international trade. It cannot be done fully without the direct aid of the State and I am of opinion that even if fresh burden of taxation is necessary it must be faced. I may further observe that the principle of State Aid has already been accepted by the Government of this country so far as land transport is concerned. During the first 42 years from 1858-59 to 1899-1900 the Government paid out of the revenues of the country on an average nearly Rs. 1,85,00,000 to the Railways merely to meet the payment of the interest guaranteed on their capital. In other words without this subsidy of nearly 2 crores of rupees every year,—not to say anything of the huge loans raised by the Government themselves for the extension of the Railways—the Railways of this country would not have come into existence. I may also invite your attention to the fact that the Government are now going to spend nearly 30 crores of rupees per year for the next 5 years for the Railways of this country, while it is a debatable point whether the Railway police of the Government has adequately benefited the economic life of the Nation. I do not ask the Government at present to spare such huge sums for the development of the Indian Shipping which is so vital to the full economic growth of this country. I do not want them to levy any fresh taxation at present. I only want them to make a fair beginning in this direction without the burden of fresh taxation by giving subsidies to Indian ships on two specified lines:—

(1) India to U. K. and Continent.

(2) India to the far East and America.

Rs. 30 lakhs to begin with may be set apart for this purpose every year. In five years we shall, therefore, require Rs. 150 lakhs for this purpose. As soon as the coasting trade is reserved, the full proceeds of nearly 60 lakhs of rupees per year being the amount of the tonnage tax on ships referred to below should be utilised for subsidising specified lines in the foreign seaborne trade.

23440. Adding up the requirements of 1 and 2 above Rs. 300 lakhs shall have to be found in the course of the next five years. My suggestions to raise this sum are as under:—

23441. According to the reports of the Calcutta, Madras, Karachi, Bombay and Rangoon Port Trusts for

the year 1920-21, I find the tonnage shipped and discharged at these ports exceeded 170 lakhs of tons, not to say anything of the tonnage shipped and discharged at other ports in India. I suggest that a tonnage tax of 8 annas per every ton of cargo shipped or discharged at any of the ports in India and Burma be levied and made payable by the ships shipping or discharging the cargo. This tax will work out at less than $\frac{1}{10}$th per cent. on the total value of the foreign sea-borne trade. I propose to exclude from this tax all cargo carried in sailing vessels and native crafts as well as all cargo carried from one port to another on the coast. I, therefore, make a liberal deduction of nearly 50 lakhs of tons from the quantity stated above. This will leave us 12,000,000 tons as taxable tonnage which will bring us a revenue of Rs. 60,00,000 per year. In five years this tax will, therefore, yield us Rs. 30,00,00,000. No new machinery will be necessary for its collection since the Port Trust may be asked to collect the same. Extra labour that may be necessary for this purpose will not cost much. Without, therefore, levying any further direct taxation on the people, we can get an increase of nearly Rs. 3,00,00,000 from the shipping visiting Indian ports during the next five years and thus bring about the reservation of the coasting trade to Indian Shipping alone and make a fair start for consolidating the position of the Indian Shipping in the international trade.

23442. As regards the demand set forth in clause (*d*) of paragraph 9 having regard to the assurances given by the Government at the time of the resolutions of Sir Sivaswami Iyer and Mr. Samarath in the Legislative Assembly I feel sure the Government will take the necessary action in the matter without any further delay. If any further information is desired, I shall be happy to give the same.

Supplement II to Witness No. 144.

Copy of a letter, dated the 24th March 1922, from the Scindia Steam Navigation Company, Limited, Bombay, to the Secretary, Indian Fiscal Commission.

23443. Memo. setting forth the particulars of the authorities on the strength of which facts referred to in paras. 4, 5, 6, 7, and 8 of the written statement of the Scindia Steam Navigation Company, Limited, have been stated.

1. *Para. 4* (*a*) The system of granting deferred rebates has been declared illegal. Please refer to section 20 of the Merchant Marine Act of America—June 5th, 1920. This section is quoted in extenso separately and is marked A.

(*b*) Reimbursement of the rebates by the Commonwealth Government Line of Steamers.

Please refer to Circular letter issued by the Commonwealth Government Line of Steamers under the signature of Mr. H. B. G. Larkin, dated 18th August 1919. It states as follows:—

"In the event of shippers, taking advantage of the services of this Line (Commonwealth Government Line of Steamers) and being penalised therefore by the confiscation of accrued rebates by any Line through which they have shipped previously, the Commonwealth Government Line is prepared to guarantee them against such loss, if they will sign the annexed undertaking to give the Line the first offer of their future business."

The undertaking referred to above is set forth in extenso and is marked "B."

Please refer to the letter from Colombo appearing in the *Times of India* in its issue of the 9th November 1921. It refers to the answer given by Mr. J. T. Brennan, representative of the Commonwealth Government Line of Steamers to the question put him as to what would happen in case of shippers, who have contracted to ship by the conference Line of Steamers only, and who, by breaking their contract, would render themselves liable to a loss of 10 per cent. rebate, to which they would be ordinarily entitled.

"Mr. Brennon stated if any Conference Line decided to confiscate their rebate, the Commonwealth Government Line would be prepared to compensate shippers who patronise their steamers."

Please refer to the interim report of the Imperial Shipping Committee on the deferred rebate system as obtaining in the trade between the United Kingdom and Australia. This report is dated London, 5th August 1921.

Paras. 5 and 6. Please refer to pages 2, 3, 13, 22, 23, 24, 25, 33, 36 and 37 of the Report on Bounties and Subsidies in respect of ship building, shipping and navigation in foreign countries, 1913. This Report was presented to both Houses of Parliament by Command of His Majesty.

Please also refer to the publication by the Department of Commerce, Bureau of Foreign and Domestic Commerce, special Agent, Series No. 119 styled Government Aid to Merchant Shipping by G. M. Jones, Washington.

Para. 7. (*a*) The reservation of the coasting trade of the United States, France, Italy, Austria Hungary, Spain, Belgium and Japan.

Please refer to the publication styled Government Aid to Merchant shipping by G. M. Jones, Washington, 1916.

Page 37. "All of the coasting trade of the United States is reserved to ships operating under the Flag of the United States. Although the coasting trade was not expressly closed to foreign ships until the passage of the Act of March 1st, 1817, nevertheless, the much higher tonnage taxes levied under the Act of July 20th, 1789, resulted in the exclusion of foreign shipping."

Also refer to section 22 of the American Merchant Marine Act of 1920. This section has been set forth separately in extenso and is marked "C."

Page 136. "Since the Acte De Navigation of September 21st, 1793, coastwise trade between ports in Continental France has, with few exceptions, been reserved for ships under the French Flag."

"Italian ships were permitted under treaties of June 13th, 1861, and November 3rd, 1881, to participate in the trade along the Mediterranean Coast of France and in the Algerian Coasting Trade. This exception ceased to exist July 16th, 1886, when the Commercial Treaty between France and Italy expired."

Page 167. "The coasting trade of Italy has long been reserved for ships flying the Italian Flag. In view of the extent of the sea-coast of Italy and many populous cities located thereon, the coasting trade is important, and its monopolization is, therefore, a valuable privilege."

Page 186. "It has been the policy of Spain to restrict the carrying trade between Spanish Ports and between Spain and Colonial Ports to ships flying the Spanish flag. Thus Article 2 of the present subsidy law, that of June 14th, 1909, provides as follows:—

Freight and passengers between Spanish Ports shall be carried exclusively by vessels under the Spanish Flag.

Although the voyage may be extended to foreign Ports, the trade between Spanish Ports shall be confined to Spanish vessels."

Page 87. "The coasting trade of Austria Hungary is not extensive, but it is reserved to ships flying the Flag of that Empire."

Page 123. "The coasting trade of Belgium, which is not extensive, is reserved to ships flying the Belgium Flag."

Page 214. "For a number of years the coasting trade of Japan, at least between the so-called "Open Ports" was open to the ships of other nations, but this privilege was withdrawn in the years 1910 and 1911. The monopolization by the Japanese ships of the coasting trade of Japan has been a factor of some importance in the development of Japanese shipping in recent years."

Please also refer to the following extract from Japan Year-book by Professor Y. Takenob, 1920-21.

Page 374. "Before the conclusion of Treaty revision of 1894, the coasting trade was open to vessels flying foreign Flags, but by the revision this privilege was restricted to the conveyance of the passengers and

cargo between Nagasaki, Kobe, Yokohama, and Hakodat. In 1911 the restriction was extended and foreign vessels were prohibited to carry passengers and cargo between those Ports except on a continuous voyage. It should be remembered that the coasting trade of Japan and Great Britain is dealt with in the revised Anglo-Japanese Treaty, dated April 3rd, 1911, which provides that the trade should be regulated according to the laws of the United Kingdom and Japan respectively."

Please also refer to section 3, Japanese Ships Act No. 46 of March 1899, as revised by No. 68 of 1905. This Act is in Japanese language and the reference stated above as regards the reservation of the coasting trade was translated for me by Mr. Shima, Manager, Osaka Shoshen Kaisha, Bombay.

Please also refer to the Reports of the Departmental Committee appointed by the Board of Trade to consider the position of the shipping and ship building industries after the war published in London in 1918.

Attention is drawn to pages 193, 194, 197 and 201.

Page 193. "It should, however, be noted that, although the coasting trade of the United Kingdom and the trade between Ports of the Empire were open to the Flags of all nations, British vessels were excluded from the similar trades of the principal foreign countries, including Russia, France and the French possessions. Holland and the Dutch possessions, Spain, the United States and the American possessions, Brazil, Argentine and Japan."

(*b*) Reservation of the coasting trade of India and Burma to British ships. Please refer to page 199 of the Reports of the Departmental Committee appointed by the Board of Trade to consider the position of the shipping and ship building industries after the war published in 1918.

Page 199. "The coasting trade of British India, like that of the United Kingdom, is open to the Flags of all nations. There is, however, a strong feeling among certain of our Eastern Lines that this trade should, in future, be reserved for British ships."

As regards the statement "As a matter of fact, nearly 80 per cent. of the trade on the coast is carried only in British ships," please refer to page 37 of the Review of the Trade of India, 1920-21.

Attention is also invited to Chapter 31 "Government Aid to shipping and navigation in foreign countries" of the book styled Principles of Ocean Transportation by Johnson and Huebner published in 1919.

As regards the trade subvention given by Great Britain the following may be noted:—

Page 466 of the just referred to above:—
In 1900, however, in order to develop the full trade from Jamaica to the British Islands, the British Government made a Contract with Elder Dempster & Co., for a fortnightly steamship service between Jamaica and England. The Steamers were to have a speed of 15 knots to be capable of carrying 3,000 tons of cargo, each ship to be equipped for carrying 20,000 bunches of bananas, and each ship to have accommodations for 100 1st class and 50 2nd class passengers. The Company was also required, during the 10 years of the duration of contract, to purchase not less than 20,000 bunches of bananas for each voyage from Jamaica."

Please also refer in this connection to page 75 of the book "Government Aid to Merchant Shipping by J. M. Jones, 1916." The Elder Dempster Company received an yearly subsidy of £45,000. The purpose of the Line was primarily commercial, for it was intended to stimulate exportation of the agricultural products of Jamaica such as bananas, coco, etc.

Para. 8. Please refer to pages 23, 24 and 25 of the Report on bounties and subsidies in respect of ship building, shipping and navigation in foreign countries, 1913.

Section 20 of American Marine Act, 1920, reads as under:—

(1) That section 14 of the Shipping Act, 1916, as amended, is amended to read as follows:—

"Section 14. That no common carrier by water shall, directly or indirectly, in respect to the transportation by water of passenger or property between a port of a State, territory, District, or possession of the United States and any other such port or a port of a foreign country.

"*First.* Pay or allow, or enter into any combination, agreement, or understanding, express or implied, to pay or allow, a deferred rebate to any shipper. The term 'deferred rebate' in this Act means a return of any portion of the freight money by a carrier to any shipper as a consideration for the giving of all or any portion of shipments to the same or any other carrier, or for any other purpose, the payment of which is deferred beyond the completion of the service for which it is paid, and is made only if, during both the period for which computed and the period of deferment, the shipper has complied with the terms of the rebate agreement or arrangement.

"*Second.* Use a fighting ship either separately or in conjunction with any other carrier, through agreement or otherwise. The term 'fighting ship' in this Act means a vessel used in a particular trade by a carrier or group of carriers for the purpose of excluding, preventing or reducing competition by driving another carrier out of said trade.

"*Third.* Retaliate against any shipper by refusing or threatening to refuse, space accommodations when such are available, or resort to other discriminating or unfair methods, because such shipper has patronized any other carrier or has filed a complaint charging unfair treatment, or for any other reason.

"*Fourth.* Make any unfair or unjustly discriminatory contract with any shipper based on the volume of freight offered, or unfairly treat or unjustly discriminate against any shipper in the matter of (*a*) cargo space accommodations or other facilities, due regard being had for the proper loading of the vessel and the available tonnage; (*b*) the loading and landing of freight in proper condition; or (*c*) the adjustment and settlement of claims.

"Any carrier who violates any provision of this section shall be guilty of a misdemeanour punishable by a fine of not more than $25,000 for each offence."

(2) The Shipping Act, 1916, as amended, is amended by inserting after section 14 a new section to read as follows:—

"Section 14. (*a*) The board upon its own initiative may, or upon complaint shall, after due notice to all parties in interest and hearing, determine whether any person, not a citizen of the United States and engaged in transportation by water of passengers or property—

"(1) Has violated any provision of section 14, or

"(2) Is a party to any combination, agreement, or understanding, express or implied, that involves in respect to transportation of passengers or property between foreign ports deferred rebates or any other unfair practice designated in section 14, and that excludes from admission upon equal terms with all other parties thereto, a common carrier by which is a citizen of the United States and which water has applied for such admission.

"If the Board determines that any such person has violated any such provision or is a party to any such combination, agreement, or understanding, the Board shall thereupon certify such fact to the Secretary of Commerce. The Secretary shall thereafter refuse any such person the right of entry for any ship owned or operated by him or by any carrier directly or indirectly controlled by him, into any port of the United States, or any territory, District, or possession thereof, until the Board certifies that the violation has ceased or such combination, agreement, or understanding has been terminated."

The General Manager (or Agents),
Commonwealth Government Line of Steamers.

DEAR SIR(S),

In consideration of the Commonwealth Government Line of Steamers guaranteeing $\frac{me}{ue}$ against loss of accrued freight rebates, if confiscated by the Steamship Line associated with the Australian Conference, by reason of $\frac{my}{our}$ action in making shipments by steamers of the Commonwealth Government Line from United Kingdom to Australian ports $\frac{I}{we}$ hereby undertake to give the said Commonwealth Government Line of Steamers the first refusal of carriage of all $\frac{my}{our}$ future shipments for Australia, at current market rates at time of shipment, and to confine all such shipments to steamers loaded by the Commonwealth Government

Line, or by its Agents on its behalf, provided always that on any occasion upon which the Commonwealth Government Line cannot provide tonnage in a reasonably suitable position for $\frac{my}{our}$ purposes, $\frac{I\ am}{we\ are}$ to be fully entitled to ship by a vessel of any other line.

It is clearly understood, however, that $\frac{my}{our}$ shipments shall not be unnecessarily diverted to other vessels, and on the other hand that the Commonwealth Government Line or its Agents shall not arbitrarily withhold assent to any such necessary diversion.

Section 22 of the American Merchant Marine Act, 1920, which reads as under:—

" That the Act entitled " An Act giving the United States Shipping Board power to suspend present provisions of law and permit vessels of foreign registry and foreign-built vessels admitted to American registry under the Act of August 18, 1914, to engage in the coastwise trade during the present war and for a period of one hundred and twenty days thereafter, except the coasting trade with Alaska," approved October 6, 1917, is hereby repealed: Provided, that all foreign-built vessels admitted to American registry, owned on February 1, 1920, by persons citizens of the United States, and all foreign-built vessel owned by the United States at the time of the enactment of this Act, when sold and owned by persons citizens of the United States, may engage in the coastwise trade so long as they continue in such ownership, subject to the rules and regulations of such trade: Provided, that the board is authorized to issue permits for the carrying of passengers in foreign ships if it deems it necessary so to do, operating between the Territory and the Pacific Coast up to February 1, 1922."

Witness No. 145.

Written statement forwarded by M. N. Mehta, Esquire, C.S.I., Minister to the Government of Baroda.

Memorandum by the Committee of Ministers and others appointed at an Informal Meeting of their Highnesses in November, 1921.

23444. The following is an extract from the Montagu-Chelmsford Report:—

> "It is obvious that *any* tariff that might be framed for India must take account . . . of the probable incidence of the burden of *taxation* upon *the masses of the population* . . . ."

Here "India" means the whole of India, inclusive of the Indian States, and "the masses of the population" include the subjects of those States.

In paragraph 311 of the same report, occur the following:—

> "Our last proposal is intended to provide some means for deliberation between the Government of India and the Princes on matters of common interest to both so as to ensure that, as far as possible, decisions affecting India as a whole shall be reached after the views of the Durbars have been taken into account . . . ."

23445. 2. And yet, when in the first Session of the Reformed Council, the question of enhancing duties under the tariff came up, their effect upon the subjects of States and, therefore, upon the fiscal and financial interests of the States appears to have escaped both the vigilance of the Government of India and the broad sympathy and justice of the Reformed Legislature.

23446. 3. Not only that, but the Indian Fiscal Commission, constituted with the approval and sanction of the Secretary of State, does not count amongst its members any representative of the Indian States, whose inclusion would have doubtless secured the consideration of the interests of those States as affected by the future fiscal policy of British India. Oblivion of those interests, which are vital, is clearly reflected in the scope of the Fiscal Commissions' enquiry, as determined by the questionnaire. It is an exhaustive set, but characterised by the absence of the perception that the interests of the States would be directly affected, whatever the conclusions arrived at, and they would, therefore, need safe-guarding or practical recognition. The enquiry of the Commission is shortly coming to an end, but nothing has so far happened to indicate that the commission recognises that its recommendations would be incomprehensive and, may be, distinctly unfair unless it informed itself of their probable consequences upon interests which would be directly affected by them but which lie outside the competence of the Legislature to influence. The Government of India themselves do not appear to have forwarded the questionnaire to all the States. But this may be for the very good reason that while in the case of the States to which it was sent this was done by virtue of the existence in them of certain special commercial and industrial conditions, it was not sent to the others because, in the absence of those conditions their interests did not *prima facie* appear concerned with the underlying idea of the questionnaire.

23447. 4. It would be apparent, later, how the interests of all the States would need recognition, whether the future tariff of British India be a purely revenue or a protective tariff. But allusion must here be made to what is in marked contrast with the drift of events so far discussed. His Excellency the Viceroy in his inaugural address to the Princes' Chamber at its last session drew attention to the appointment of the Fiscal Commission, and called upon the States, particularly those possessing the attribute of " considerable commercial interests," to " give the Commission the benefit of their views." Said His Excellency:—

> ". . . . . The question is one of joint concern to British India and the States, as, though the revenue from Customs is a British Indian receipt, the effect of the Fiscal System adopted by Government is felt throughout India, and I trust that, at any rate, those Durbars whose commercial interests are considerable will give the Commission the benefit of their views. . . It (the Commission) will consider, among other matters, the question of a protective tariff for India. This question is one of prime importance both for consumers and manufacturers in the States, as well as in British India."

23448. 5. Amongst other things, it is the purpose of this memorandum to show that although duties on practically all the imports and exports of India are levied at the British Indian ports and are entirely credited and appropriated to themselves by the Central Government of British India, the yield of these duties in the aggregate is not legitimately British Indian revenue. On the contrary, the spirit of the Treaties and Engagements with the States, past events and agreements based thereon, the provisions of British Indian Laws themselves, no less than the practice of Foreign Countries, as well as of those within the British Empire, and, indeed, the practice even in respect of certain Indian States, together with the accepted principles and dicta of economics, not to speak of considerations of fairness and the interests of 60 millions of producers and consumers—subjects of Indian States—all these facts and arguments combine to create the position that, of the total proceeds of the duties levied, the British Indian Government is justly entitled only to retain that portion which is really contributed by their own subjects.

23449. 6. Consequently, whether the Government of India adopt the policy of free trade or of protection, whether their future tariff be devised purely with the object of raising revenue or it be framed to counteract the evils of dumping, bounties, subsidies or transport facilities: whether it aim at fostering industries which have a root in the soil or aim at retaliation for unfair treatment received at the hands of other countries: so long as the subjects of Indian States, who should not pay British Indian taxes, are penalized for exporting their surplus produce of all sorts through British Indian ports by having to pay the British Indian duty or by

having to consume articles which have paid the British Indian duty on arrival at a British Indian port, the States have a clear and undeniable right to ask that the revenue thus derived from their subjects shall be given back to them to be employed for the benefit of those subjects.

23450. 7. Therefore, the question is not only whether the producer and manufacturer or the consumer in the States will be better off, along with his British Indian brother, in the one event of the Indian Empire being a free trade country or in the other event of certain of the indigenous industries being scientifically and discriminatingly protected; but the question is that he must escape a double burden. For, the Government which affords immediate protection to his life and property, which cares for his health and seeks to educate him, which provides facilities for the transport of his commodities and seeks to ensure him against famine and epidemic—in short endeavours to do all that is expected of a civilized Government—this Government also expects him to contribute to the expenses of the highly organized machinery of modern administration—expenses which are yearly, almost daily, on the increase. This Government has none too large a revenue for modern times, nor varied sources from which to derive substantial income. It has to abstain from direct taxation, as the financial condition of its subjects does not justify resort to this mode of raising revenue, and is, therefore, compelled to fall back upon indirect taxation. Consequently this Government must have more money, and more and more money, and if the burden of the subjects of the Indian State, in the circumstances that are, cannot easily be lightened, the Government that rules him must at any rate alleviate his lot otherwise, by improving his expectation of life and his prospects in it. Later, it will be shown in how many respects the subject of the Indian State is at the mercy of the British Indian financial administrator and in what a variety of ways the Governments of Indian States lose the revenues which could be employed for the uplift of their people. For the present let us concentrate upon the point immediately at issue.

23451. 8. It cannot be said that the right of the States urged here is, in any sense, novel, or that the consciousness of it has dawned upon them recently and suddenly—any more than it can be said that the Government of India by their laws ignored the interests of the States. So far from that being the case, right onwards from 1863 to 1894, whether placing Enactments on the Statute Book or issuing Notifications under the Acts in force, the Government of India clearly bore in mind the position of the States in relation to their Customs Laws. The Acts of 1863, 1878 and 1894 all recognise that the territories of Indian States are " Foreign territory " for purposes of customs duties.

23452. 9. It will be remembered that from 1882 to 1894, India was a free trade country, and no question arose of the imposition of a double burden in practice upon the subjects of the Indian States, apart from their immunity, in theory and law, from the payment of British taxation. It is true that after the mutiny, import duties on some articles were raised to 10 per cent., but they were reduced to 7½ per cent. in 1864, and by 1875 had reverted to the original level of 5 per cent. Export duties were confined to rice, indigo, oils and lac. The States were not much or seriously affected by these duties. The articles taxable on export were not amongst the generally exportable commodities of the States, and, in the absence of means of transport and communication, the duty-paid imports were ordinarily of no interest to the States either. Besides, the incidence of duties was so light as to be negligible, and not much point was lent to a protest on the ground of principle.

23453. 10. And yet, immediately after the period of free trade, and as early as 1895, as soon as the depreciation of Indian currency resulting in a deficit led to the revival of general import duties at 5 per cent., the Manchester Chamber of Commerce was addressed by the Trader-subjects of a Central India Durbar regarding the unfairness of the imposition upon the trade between England and that Durbar. The point even came in for notice in the columns of a leading Bombay Daily and the interests of the State subjects were stoutly defended. From 1894 to 1910, except for the revival just mentioned and the imposition of a 3½ per cent. *ad valorem* duty on imported cloth, nothing happened. Between 1910 and 1916, even though the latter year marked the continuance of the great war for two years, all that the Government did was to raise the duties on silver, tobacco, wine and beer, the rise having been justified on the ground of a deficit occasioned by the gradual extinction of the opium trade with China.

23454. 11. At this stage, and only so recently as the period last mentioned, things did appear to tend in a direction counter to the intimate interests of the subjects of the Indian States. The adverse aspect of the course which the tariff was running became more pronounced between 1916 and 1919, and a protest was called for. But the States desisted. They could not, with any consistency, on the one hand, offer for the service of the Empire all their hoarded and recurring resources, and, on the other, ask for their share of the revenue which the Government of India, in their extremity were raising to meet the deficit caused by war expenditure. The manipulation of the tariff and the special measures adopted between 1917 and 1919 had already, even apart from the pressing burden of the sanctions of 1921, served the last straw on the camel's back. Considering that the Chamber, without yet being so called, had already been formed in 1916 and even before, it is trusted that some credit for forbearance will be accorded to the States.

23455. 12. The principle on which it is contended that the burden of the British Indian import and export duties should not fall upon the consumers and producers of Indian States, however, remains unaffected by any considerations of past practice or the policy of the Government of India, which until the other day was such as to give little cause of complaint. That principle is that the incidence of customs duties should fall on the subjects of the Government which realizes and benefits by those duties. It is this principle which has been accepted throughout Europe and America and the vast African territories under the sway of various European powers. Economists, all the world over, are now agreed that the incidence of Import duties mainly falls on the consumer and of the export duties on the producer. It is, therefore, obvious that taxes should be levied by the authority which alone can utilize their proceeds for public expenditure in the territory where the incidence falls. As the justification indicated is wanting and the only test that can be applied is not satisfied, there cannot be two opinions that the Sea Customs levied by the Government of India on goods passing in bulk to Inland States, or even on those that eventually find their way there, are transit duties, pure and simple.

23453. 13. That being so, the levy of such duties is no less perplexing that distressing. Over a quarter of a century ago, the Government of India joined in the universal condemnation of transit duties, and by securing their abolition (though *only conditional* on the part of some States) as long ago as 1887, brought the commercial relations of the Indian States with British India and with one another into harmony with the principles well recognised throughout the civilized world. And, yet, after all this, the populations of the States are taxed in aid of the revenues of British India. To say that by the expenditure of Imperial Revenues the States, as a body, benefit, is no argument and certainly no justification of the present state of things. For if the British Government confers any benefits upon the States and it is not denied that it does—it is incidentally enabled so to do by virtue of its paramountcy, of which those benefits are a necessary consequence. But these benefits, direct or indirect, and however varied, whatever they may be, are at any rate not a *quid pro quo* for the burden laid upon the States.

23457. 14. Then there is the vital question of the loss to the States of much-needed revenue—revenue which is their due, also revenue which it is their inherent right to raise and utilize.

Since the introduction of Reforms, their own provinces have battled with the Central Government to secure financial autonomy, and it has been to all intents and purposes completely conceded. The States, on the other hand, have always enjoyed, as they had and have a right to do, complete financial autonomy. This embraces the right of levying customs duties on goods crossing their frontiers into or out of their territories. What is more, while most of the States finally abandoned the practice of levying transit duties, some of them, it is understood, reserved the right to re-impose them, a right the exercise of which might prove very damag-

ing to the trade of British India in the quarters concerned. Thus the levy of the Sea Customs duties not only deprives the States of a legitimate source of revenue, not only is it indefensible, economically and in the inter-statal view, but it is also an infringement of their inalienable and vital right of financial autonomy.

23458. 15. It hardly seems necessary to labour the point by citing the practice with regard to the smaller States of Europe and the British Empire, or, speaking nearer home, even of some Indian States, *e.g.*, the States lying on the seaports namely, Baroda, Bhavnagar, Junagadh, Navanagar and Porebander in Kathiawar, Cochin and Travancore in South India or the Indian State of Jammu and Kashmir.

The States believe, as they must, that the Government of India had never the intention to deal unfairly by them. Their Customs Laws, as has already been said, bear witness to their fair intentions. What has really happened is that a state of affairs has arisen which was not only not intended but even not realized. It came to pass that attention was focussed on pressing and all-important issues of immediate moment, and side issues, however important ethically, that is, from the point of view of the neighbours' interests, perhaps not unnaturally, escaped consideration. To assume anything else would be to assume that the Government of India were capable of deliberately and of set purpose exploiting the accident of their favourable position and of penalizing the Inland States for the misfortune of their geographical position. Therefore, no other hypothesis is possible but the one consistent with the possession by the Government of India of due regard for the rights and interests of their friends and allies.

23459. 16. The easiest remedy, therefore, for the practical injustice of the present order of things is for the States to suggest, apropos of the main question before the Fiscal Commission, that India should remain a free trade country. But such an attitude would be extremely selfish. They know the financial straits into which certain circumstances have thrown British India. They know, therefore, that money must be found, and they do not know of a better method of raising the required revenue than by the imposition of customs duties. Apart from this, they cannot shut their eyes to the interests of their own countrymen which demand the protection of certain industries. Nor can they, with any show of consistency, advocate Free Trade for British India, while levying customs duties themselves, which they must as a means of legitimate and necessary revenue. In fact, the position with which they are, as a body, confronted in the matter of finance is infinitely worse than the position of the Government of India. Their revenues are all too inadequate for the improvements that must be effected in their administrations; consequently, their need for larger revenues is proportionately greater. As anxious as they might honestly be to see the burden of the Indian tax-payer lightened and help to effect that relief, they cannot, in present circumstances, advocate a generally lighter tariff than the existing one, until there is an improvement in prices and lowering of wages, and in fact a general amelioration of the various conditions which together represent the aftermath of the war. Two things would then appear to be indicated by way of broadly answering the questions of the Fiscal Commission without going into details, namely, that indirect taxation should be the keynote of the Government of India's policy and that discriminating protection must be resorted to for the good of the country.

23460. 17. Assuming this to be the conclusion to which the Fiscal Commission is led, and the evidence so far tendered would in the main appear to point in that direction, the question arises how about sparing the subjects of States the hardship of paying the British Indian customs duties? The only possible answer and, indeed, the most satisfactory one, is that the net revenue derived from customs duties should be divided between British India and the States in proportion to their populations. While the suggestion is not free from the obvious objection that in practice its operation would be invidious—and the inherent invidiousness of its practical application is fully realized—it provides, taken all round, the safest and the cheapest solution of the problem. What the basis of the division should be is after all a question of detail and, if need be, can be searchingly examined. The innumerable analogies of the African Protectorate, the German Union, etc., can all be drawn upon for the purpose. But what is most important is the unreserved admission and concession of the principle, namely, that the States are entitled to their fair share of the customs revenues, and it would be in the highest degree not only politic but just on the part of the Government of India to take an early opportunity of announcing the acceptance of the principle.

23461. 18. His Excellency the Viceroy invited an expression of opinion on the part, at any rate, of certain States on the questions referred to the Fiscal Commission. One of these questions is that of Imperial Preference. As the view of the States has already been indicated on the question of free trade *versus* protection, it might be just as well similarly to indicate their view as regards Imperial Preference. The view briefly is that the producer and the exporter in India should have no restriction placed upon his liberty to sell his produce in the best possible market.

It does not appear necessary to support either view that is whether in favour of protection or against preference—by very elaborate arguments. Both questions admit of two opinions. Both theorists and practical men are ranged on either side. The best available evidence has already been tendered and recorded. The conclusions that emerge or that may be drawn must be matters of individual predilection which is determined by the greater or less weight speculatively attached to a variety of factors which come into play, and claim their own share of influence and appeal. It should therefore, be enough, for purposes of the present memorandum, to state the conclusions that have been arrived at after balancing conflicting considerations. These have, therefore, been badly stated and are for convenience of reference here repeated, namely:—

(*a*) That industries that by virtue of possessing essential conditions are already entitled or that may hereafter establish a claim, to protection must be protected.

(*b*) That there should be no preference within the Empire.

MANUBHAI N. MEHTA.

K. N. HAKSAR.

SHYAMSUNDAR LAL.

LALJI NARANJI.

M. V. KIBE.

G. RAI.

Appended as a supplement to the Ministers' Memorandum.

Memorandum by the Committee of Ministers and others regarding Opium, Salt and Coinage in Indian States.

23462. Before concluding, it might be just as well to advert to the question of customs duties. A clear case has always been made out in favour of the participation of these revenues between British India and the States on grounds of Law, principle and practice in India and elsewhere. But if the claim involved needed adventitious or circumstantial support, the considerations noted below which are perfectly relevant would lend more than the required support:—

It is admitted on all hands that the States cannot remain unaffected by the conditions in British India: on the contrary, the conditions in the latter directly react upon the former and are reflected there in all essential respects. It will not be denied that, for whatever reasons, the administration of British India has of recent years become stuntingly expensive. As long as the fact remains, it is not necessary to go into the reasons. The reason may simply be the diminution of the purchasing power of the rupee. If the reason be no other, the point still is that the burden of the States has increased by both phenomena, the cause and the effect, the expensiveness of agents and functionaries and their adjuncts and the reduced value of the rupee. The cause of the latter is the currency system of British India.

By virtue of its larger wealth, more extended trade operations and the inevitability of the commercial relations between it and the Indian States, British India has been able in practice to impose its currency upon the States. Consequently, the blemishes of its currency system have in the past imposed unlooked for burdens upon the States and continue to do so. The States are helpless and they have to submit to being sacrificed upon the altar of financial and trade interests which are not commensurately theirs.

Then again there is the question of the conditions in British India in regard to Labour, Prices, Wages, etc., not only not unconnected with but directly arising out of the complexus of the British Indian currency legislation, exchange manipulation, etc., etc. The States are the butterfly on the wheel. Their own currencies have hopelessly depreciated, as they were bound to do, the moment the British rupee acquired a token value by being linked with the gold exchange, and there is for them to lay unweaponed, the same spectre of higher prices, higher wages and what not. But perhaps this can't be helped. At all events, this memorandum is not intended as a diatribe on the administrative methods of British India. The object is only to state the facts, to awaken consciousness to the burdens and hardships of the States and to seek a remedy with the friendly assistance and sympathetic co-operation of British India. As the point emerging from all that has been stated in this paragraph, let us take practical and concrete examples of the hardships and disabilities suffered by the States :—

The States have, on the whole, adopted the British Currency, even though some of them have not declared it legal tender in law. The Government of India coin rupees for the requirements of British India as well as of the States, and yet they keep all the minting profits and seigniorage receipts in the name of the Gold Standard Reserve designed to stabilize exchange for the good of the whole country, an object, however, it has failed to achieve. To be brief, the States consider themselves entitled to their fair share of the profits from minting and paper currency, and ask for them. They regard it as an injustice to be denied their proportionate due.

Again, when conditions in British India demand it, the Government impose restrictions upon the import and export of silver and gold. On those occasions the States ask that their financial autonomy should not be interfered with by bringing them under the operation of such restrictions. All that can be fairly expected of them is that they shall not stultify the measures taken by the Government of India for the good of themselves and their subjects.

23463. 2. There are several matters in respect of which it is felt that the States have rights to be recognised. As they all turn upon the fiscal pivot, it might be just as well to ventilate them here. This course would at least possess the merit of inducing fair examination of the points raised. The result cannot but be worth the effort and examination. Either the States can be proved to be under a misapprehension and convinced that they are, or the Reformed Councils will recognise the justice of the contentions and uphold and concede them.

23464. 3. The questions of (*a*) Opium and (*b*) Salt may here be suitably discussed.

In regard to (*a*) the trade with China has been abolished, but both Persia and the Straits Settlements still absorb Indian opium. If it is expected, as has been the case, that the subject of the State should bear without demur and without a *quid pro quo* the burdens that legitimately belong to British Indian shoulders, why should he not equally get certain advantages enjoyed by his British Indian brother? The States ask that the legitimate trade in opium that still exists should be thrown open to them and every facility afforded them for carrying on that trade without objection on the part of the European conscience, or let the principle of equitable distribution be introduced here also. The data exist for bringing about a distribution on the actual proportional extent of cultivation in each State prior to 1912. For the last five years, the Government of India have had, under special agreements, opium grown in certain States, for purchase by themselves. The purchase price at the beginning was Rs. 9 per seer. It is Rs. 15 to-day. Even at the latter figure the cultivators get paid, speaking in terms of chests, at Rs. 1,140 per chest. The Government of India realise on this opium anywhere from Rs. 6,000 to Rs. 18,000 per chest. The Government of the States do not get anything even for the user of their lands. This surely needs to be different. It is true that the agreements referred to were entirely optional and voluntary. But then half a loaf is better than none. The fairest way seems to be to join hands and forces and fairly to pool the profits. Such is the dependence of States upon the Government of India and such their trust in the sense of justice and the paternal care of the Government that their mutual dealings need not be characterized by the commercial spirit.

(*b*) *Salt*.—The position is that by 1879 the Government of India had, by special agreements with certain States, promising them compensation in perpetuity, secured the monopoly of the Salt Trade of India. There are large States with their teeming populations of several millions that were never even compensated and these have either lost revenue, and will for ever continue to do so, or their subjects have paid a tax which they would have escaped, had these States chosen not to tax this necessity of life.

Here again the agreements were seemingly voluntary; but their true character can be gauged by the fact that they were negotiated by local Political officers under instructions from the Government. Now the point is, when the amount of individual compensation was fixed it was calculated upon a rate of duty (or margin of profit) which has not been adhered to. It has varied, thus giving rise to a higher income for the Government, while the share of the States in that income has been limited to the fixed compensation. The States consider themselves entitled to the difference represented by the higher rate levied to-day as compared with the rate of the agreement, and they ask for it. The States that receive no compensation must be brought into the revised scheme.

23465. 4. It will thus be apparent in what a large variety of ways the States have been laid under contribution for the benefit of British India. The reply is they enjoy peace and protection from foreign aggression. But they paid for these blessings and continue to do so. All the more important States made large cessions of territory which were really their contributions towards the defence of the country. The majority of them have maintained Armies for the service of the Empire. The late war demonstrated not only their readiness to help but the utility of those Armies and the help the States actually rendered otherwise was a factor that counted. There were cases in which the war expenditure of individual States amounted to over two crores of rupees. Further, not an institution of public utility can be started, not an emergency can occur, not a fund can be opened but the States subscribe lavishly. All this money eventually comes out of the pockets or rather the sinews of the Indian subjects. He is, therefore, entitled to every consideration.

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Note embodying the views of the Baroda Government on the general questions involved in the inquiry of the Indian Fiscal Commission.

NOTE.

Is Free Trade always preferable to Protection ?

23466. 1. It is not at all easy to say that free trade under all circumstances is preferable to protection. Any dogmatic assertion is bound to be misleading, much more so in the province of Political Economy, which does not yet aspire to be an exact Science. Political Economy deals more with tendencies than with any immutable laws; the mass of qualifying conditions and differentiating circumstances is so vast and complicated that no enunciation of an unalterable economic law has yet been deemed possible.

Conditions in England.

23467. 2. There are few absolute truths in the realm of Science. Knowledge is relative, and it is only as a relative truth that one can aver of Protection that it is more suited to the industrial advancement of a country like India. England with its insular geographical position, its entire dependence upon Foreign trade for agricultural products and means of subsistence and its untold wealth in mineral resources has found Free Trade as most suited to its prosperity. It has to import raw materials for its vast manufacturing industries from abroad and to send out finished products to Foreign markets, and a policy of free trade in consequence proved to be the very life blood of its industries: but even there, it was only after the era of Cobden and Bright that the principle of Free Trade received unquestioned homage from the various industrial interests concerned.

Conditions in India.

23468. 3. India is not insular; it is not small in area. It is a vast continent with varied natural resources, both agricultural and industrial. It can afford to be self-contained and self-reliant. Two-thirds of the population depend for their maintenance upon the soil: and the masses engaged in the extractive industry of agriculture are to a large extent dependent upon the freaks and vagaries of the seasons. Industries which at one time had attained a high degree of excellence are withering owing to free and unfettered competition of foreign countries, and the only ostensible effect of foreign trade is to drain away most of its raw products to foreign manufacturing countries, so as to deplete its natural resources and perpetuate its subservience. The population of the country is poor and steeped in ignorance: social customs are sapping the life of the nation: and the efficiency of the skilled or manual labour is at a low level. It has become through a long succession of ages a prey to foreign exploitation and a dumping ground for cheap manufactures, which have succeeded in killing its ancient art and far-famed industries.

Lizt's idea of the true wealth of a nation.

23469. 4. According to Frederich Lizt, the German Economist, who has contributed much to the growth of the idea of nationality " the true wealth of a Nation consists not in the quantity of exchange values it possesses, but in the full and many-sided development of its productive powers. Its economic education is more important than the immediate production of values, and it is right that the present generation should sacrifice its gain and enjoyment to secure the strength and the skill of the future. In the sound and the normal condition of a Nation which has attained economic maturity, the three productive powers of agriculture, manufactures and commerce should be equally developed. But the two latter factors are superior in importance as exercising a more fruitful and effective influence on the whole culture of the nation as well as on its independence." According to this celebrated writer " History and Statistics alike prove the correctness of the dictum expressed by the ministers of George I, that nations are richer and more powerful the more they export manufactured goods and import the means of subsistence and raw material. In fact, it may be proved that entire nations have been ruined merely because they have exported only means of subsistence and raw materials and have imported only manufactured goods."

Ingram's History of Political Economy, p. 192.

Protection not an unmixed blessing to this Country.

23470. 5. At the same time, Protection will not prove an unmixed blessing or a panacea for all the ills that India suffers from. Protection is, no doubt, often dishonest and encourages corruption and intrigue. The Honourable Mr. Gokhale once remarked in the unreformed Council:—

" It is my deliberate conviction that in our present circumstances a policy of Free Trade reasonably applied is altogether the safest policy for us. Until, at any rate, we grow so much in our influence and in our position in this Council that the Government will think it necessary to accept and act on our views, I really think that, on the whole, a policy of Free Trade reasonably applied is the safest policy for this country. Otherwise, influential interests, influential combinations, influential parties in England, who can have a ready access to the Secretary of State, will not fail to take the fullest advantage of the situation, and of this huge engine of Protection, which a vast power can employ not in the interests of the people of India but in the interests of those parties in England."

The Councils have been reformed since the days of Mr. Gokhale; the fiscal autonomy of the country is being recognised, and the Indian Legislatures have assumed the power to control the fiscal dispensations for the country. There is less room now, in consequence, for the natural apprehension that the engine of Protection in the hands of the influential combines and powerful vested interests in England is likely to be deflected more towards their own interests than the interests of the country.

The risk involved in a policy of indiscriminate protection.

23471. 6. At the same time, the inherent danger is there and has to be vigilantly guarded against. In the United States of America, the high protective walls of Tariff have screened vast monopolies and huge cornering concerns, and the manufacturers have reaped the benefit of protection to an extent unconscionably greater than the consumers. A scientifically reconstructed Tariff, a Tariff revised from time to time according to the changing exigencies of trade and industries, and a Tariff shapped by a truly representative Home Board with complete Fiscal independence and with a sole eye to the advancement of the true interests of the country, can alone be beyond the shadow of reproach of self-interest. When the success of the Policy of Protection is hedged round by so many conditions which it may not be possible to realise simultaneously, one can well understand the justice of the creed that the Indian Administrator is a Free Trader by will, but has to be a Protectionist by necessity. The needs of the country demand a policy of discriminate or scientific Protection.

Scientific Protection and the circumstances under which it is necessary.

23472. 7. Scientific Protection implies a periodical reconstruction of the Tariff on grounds that would appeal to Reason. Such scientific reconstruction postulates full recognition of the modifying effects of Time and Space. The changing environments of any problem must conduce to a differentiation, and what would justify Protection for a certain period of time, may not at all be applicable to it at another time or at a different place. Thus a system of Protection may be necessary for—

1. an infant country,
2. a nascent industry,
3. a moribund industry, and
4. a key-industry.

For a new country.

(1) Protection is often justified for a new country; it is necessary to promote manufactures and the growth of towns. India, no doubt, is no new country, but in its present state of industrial growth, it is not much better. It is predominantly agricultural and cannot, therefore, be said to have passed into the adolescence of manufacturing industry or the vigorous youth of commerce. The rise of industrial towards causes the greatest improvement of the country; the nearer the consumer is brought to the producer, the greater is the economic conservation of energy and the higher the rise of the nation in the industrial scale.

For an infant industry.

(2) Protection is necessary for an infant industry that is just struggling into being and that is likely to find a favourable pabulum for its healthy growth in a country. During the period of incubation, every protection is necessary to ensure its vigorous growth; and the new industries that found a home in this country during the Great war,—oil industry and the manufacture of iron and steel and of heavy chemicals like Sulphuric Acid and of cement—are instances to the point.

For a moribund industry.

(3) Similarly a moribund industry that has just been re-set up on its feet and is in danger of being killed by cheap products dump-

ed down in the country by foreign competition is also entitled to protection. The porcupine shoots out its quills to protect its weak and enfeebled infant from outstanding dangers; and the protection of the tariff wall may be necessary to screen the rejuvenated sprout from the scorching rays of the sun. The sugar industry in India was on its death-bed; it has slightly recovered from the crushing competition of the bounty-fed beet-root sugar of Germany, and if protection is afforded to it in India it would not be regarded as unreasonable. Again, it is often urged that every nation has the right to retain for its own people any peculiar natural resources that it may use for the development of its own industries. Export duties on Jute and Indigo can always find sufficient justification in the needs of the country.

For the key-industry.

(4) Lastly, the key-industries, or industries which are essentially necessary for national safety and national independence can always be reasonably protected. Iron and Coal are the key-industries of the United Kingdom. Similarly, if there are some industries on which the safety and the independence of India largely depend they could justifiably claim protection. The manufacture of shells and explosives, of chemicals and dyes in India could be reasonably protected on this ground.

Extent to which textile industry may be protected.

23473. 8. The protection of textile fabrics of counts above 40 would be justified on the ground of their infancy, but protection of the textile industry for the coarser counts can only lead to the enriching of the few at the expense of the many. Such indiscriminate protection is often urged in a plausible way on the ground that if foreign products are wholly excluded from the home markets, there would be so much more employment for home labour and capital and thus an increase of wages and profits. Bastiat's petition of the candle-makers against the Sun praying for the closure of windows in order that the production of artificial light might be encouraged is a fitting reply to such fallacies.

Suitable environments necessary for protection.

23474. 9. Moreover, a policy of Protection can only be justified if the environments are suitable and capable of fostering the particular industry sought to be protected. Selection may be made for protection of only such industries for which there is—

(*a*) abundance of raw material,

(*b*) plentiful supply of skilled labour, and

(*c*) sufficiency of capital for its development.

The Sugar Industry.

23475. 10. A claim to protection is often preferred in favour of the Sugar industry in India, but before shutting out foreign competition and placing the consumer at the mercy of the sugar planter and the sugar refiner, it has to be ascertained if the raw material cane is grown in sufficient abundance, and whether the irrigational facilities are ample for the growth of this extractive industry.

Protection sometimes resorted to in favour of highly-paid labour.

23476. 11. One of the grounds that is often pushed forward as justifying protection is the necessity of protecting highly-paid labour against competition with the pauper labour of foreign countries. However, defensible it may be in other countries, it is certainly not applicable to India where the wages paid to labourers need fear no adverse effect from competition with foreign labour.

Protection as a measure for deriving revenues from foreign producers.

23477. 12. Lastly, protection is often resorted to as a measure of extracting certain amount of revenue from the foreign producer by a judicious manipulation of tariff rates. This method succeeds only if the country has either a buyer's monopoly or a seller's monopoly; in the former case by high import duties, and in the latter by heavy export duties. The law of diminishing returns, however, works as a check on indiscriminate protection. If the foreign producer has only been working with diminishing returns, he would prefer to terminate the trade altogether rather than contribute to the fiscal acquisitiveness of the importing country.

Considerations to be weighed.

23478. 13. These are a few of the several considerations which will have to be weighed in the adjustment of the balance of Protection against Free Trade.

The spirit of the Age and the homogeneity of interests.

23479. 14. The Government of India have invited the views of His Highness the Maharaja Gaekwar's Government on the questions proposed to be inquired into and settled by the Fiscal Commission recently appointed for British India. Such a consultation with the Rulers of the Indian States on questions affecting British India is significant of the progress of the times, both economic as well as political. As remarked by Ingram in his History of Political Economy "The movement of Economic thought is constantly and powerfully affected by the prevalent mode of thinking; and even the habitual tone of sentiment on social subjects generally. All the intellectual manifestations of a period in relation to human questions have a kindred character and bear a stamp of homogeneity, which is vaguely present to our minds when we speak of the spirit of the age." Social speculation and economic research are concomitant growths of the same organic nature. Equally is political development but another co-efficient of the same process of growth. In fact, "no Science" according to Bastiat "has natural or unalterable boundaries. In the domain of ideas, as in the domain of facts, all things are bound up and linked together; truths run into one another; and there is no Science which in order to be complete might not be made to include all. It has been said with reason that to an infinite intelligence, there is but one single verity; it is our weakness which obliges us to study separately only a certain individual order of phenomena at a time."

Ingram's History of Political Economy, p. 4.

Nicholson's Political Economy, vol. I, p. 13.

Interests of the Indian States not taken account of.

23480. 15. His Highness' Government accordingly feel that the identity of fiscal interests in the industrial advancement of the country between the Indian Rulers and the British Government has not been made sufficiently manifest in the constitution of the Fiscal Commission; for, not only there is no member on the panel of the Commission who could sufficiently elucidate the view-point of the Indian States; but, even the questionnaire has studiously excluded every possible reference to Indian States or to the effects which the new Fiscal Policy likely to be adumbrated out of the deliberations of the Commission may have upon the revenues and resources of the several States bound by treaties of alliance with the British Power. A representative of the Indian States on the Fiscal Commission could have better served the function of *liaison* officer or nexus for joint consultation with the Houses of the Indian Legislature. In para. 311 of the joint Report on Reforms, the distinguished authors have laid down:—"Our last proposal is intended to provide some means of deliberation between the Government of India and the Princes on matters of common interest to both and so to ensure that, as far as possible, decisions affecting India as a whole shall be reached after the views of the Durbars have been taken into account. In the past, it certainly has occasionally happened that the States were vitally affected by decisions taken without reference to them, and yet no machinery for such *collective* consultation with them, has hitherto existed. It seems to us that they have a clear right to ask for it in the future."

Question prejudged to some extent.

23481. 16. One effective mode of such joint consultation on matters of common interest has been lost by the omission to admit a representative of the Indian States on the Fiscal Commission. It remains to be seen what other mode is availed of for discussion of the common points with the Indian Legislature. For, it cannot be denied that there is sure to be an essential cleavage of opinion between the Indian Legislature and the Princes' Chamber on the question of the incidence of Sea-Customs and other Fiscal dues. It is not a little unfortunate that His Excellency the Viceroy has prejudged the question to some extent when on the occasion of opening the last session of the Chamber of Princes he spoke of the Fiscal question as "one of joint concern to British India and the States, as though the Revenue from Customs was a British Indian receipt, the effect of the Fiscal system adopted by Government is felt throughout India." His Highness' Government feel that the above is not a just exposition of the economic law underlying the Statement.

British Indian Customs duties operate as Transit duties.

23482. 17. It is only repeating a trite remark of Economists to say that customs duties are only another form of taxation. Taxes are either direct or indirect; and in spite of the many and undeniable evils of indirect taxation, it has been found necessary by all the great nations of modern times to

retain Customs and Excise duties as an important part of their systems of taxation. Curiously enough, the Sea Customs Act (VIII of 1894) is not applicable to the territories of Indian States, which are liable to be treated as Foreign territory under the Act; and yet, the incidence of the Sea Customs falls as much on the subjects of the Indian States who happen to import articles of foreign trade through ports in British India, as on the British Indian Public.

The same subject.

23483. 18. The imports might have been ordered direct from abroad and consigned in bulk to the subjects of the internal Indian States; and yet the burden of the Customs duties falls on the importer who pays the tax to the British Indian Government. These Customs dues are of the nature of transit duties which at the instance of the Indian Government were abolished finally in 1886 by all the Rulers of the Indian States; and yet, the subjects of the Indian States have continued in a way to pay this increasing burden of Sea Customs duties on articles of trade passing in transit through the British Indian Ports.

Incidence of indirect taxation transferred to the subjects of the Indian States and the reasons that induced them to put up with this burden so long.

23484. 19. Thus the incidence of the indirect taxes in British India is in a manner deflected from their legitimate channel and transferred to the subjects of Indian States in a manner which cannot be wholly justified. Indian States have put up with this burden so long without complaint as their incidence up to 1894 was only nominal. From 1894 to 1910, the Customs duties though revived did not exceed the conventional five per cent. burden to which the people had long been accustomed. From 1910 to 1916, the duties went on rising; but the outbreak of the Great War prevented any serious representation from the friendly and loyal States, which might have had an embarrassing effect on the Finances of their allies, the British Government. After the closing of the Great War, the Financial advisers of the Government of India have been compelled to radically alter and enhance their scale of Customs duties, which have now grown to about thirty crores or 30 times what they were in 1884. This abnormal rise in the burden of the indirect taxation has commenced to tell very seriously on the subjects of Indian States; and as they are not directly given the benefit of the taxes they pay, it is but natural that their complaint has now become insistent and loud.

Increasing cost of Administration in British India.

23485. 20. The position of the Finance member of the Government of India and of the Indian Legislature is not, it is acknowledged, free from embarrassing difficulties. The cost of administration has no doubt risen to an abnormally high pitch; and more money may be needed to enable the Administration to maintain its various activities at the requisite standard of efficiency. That, however, is scarcely any reason why the Indian Legislature should transcend their powers and impose any enhanced taxation on the subjects of Indian States that are not under their jurisdiction. The Indian States are protected from any such encroachment by their Treaties of alliance and other Engagements.

The same state of things in the Indian States.

23486. 21. The position of the Indian State Administrations, moreover, is by no means more enviable. For better or for worse, their lot is woven with the welfare or otherwise of the British Indian Government. The Reforms have brought in their train an enormous increase in the cost of the Indian Administration which has also been reflected in an unmistakeable manner in the unprecedented inflation of the cost of administration in the Indian States. Salaries and wages have gone up by leaps and bounds; and this abnormal rise in the wages of labour has seriously affected the cost of living and added immensely to the cost of the bare necessaries of life. Added to this inflation of prices, there has been an unprecedented depreciation in the value of the rupee; and this fall in the purchasing power of money has seriously dislocated the normal relations of ordinary life. Finally, the frequent oscillations and vagaries of Exchange have filled the cup of our difficulties; and people are wondering what further onerous legacies the aftermath of the Great War and the sweeping of the Indian Empire into the turmoil of world relations owing to her intimate connection with Britain may not yet leave behind. If the Government of India feel constrained under the circumstances to enhance their Customs revenues to over thirty times what they were in the Free Trade period inaugurated by Lord Ripon in 1882, the Indian States equally feel constrained to claim a participation in this enhancement of revenue sought from the levy of Protective Customs duties.

The claim of the State to have a due share in the Customs Revenue.

23487. 22. The Government of India will always have to fix the pitch of these Import and Export Sea Customs duties necessitated by the new Fiscal policy they may determine to adopt on the recommendation of the Fiscal Commission. If the result of the Commission is in favour of Free Trade, the Indian States will have little additional grievance; but if, as is more probable, the Government of India decide to levy enhanced protective duties in the interests of the industries of the country, the Indian States will be within their rights if they claim their legitimate share of whatever surplus any scientific or reasonably discriminating system of protection may bring beyond the amount collected on a Free Trade basis. The Indian Sea Customs Tariff will always be framed partly for Revenue and partly as a means of protection; and if there is any surplus due to revenue necessities over and above what is derivable on a Free Trade basis that excess of revenue has to be ligtimately shared with the Exchequers of the Indian States which represent no less than one-third of the country.

Ways and means to remedy the grievance of the States.

23488. 23. Considerations as to the best and most equitable way of distribution of this revenue need not be detailed here at any length. The question is not free from difficulty, but that is no reason why the difficulty should not be faced and overcome at the proper time. Once the justice of the fundamental claim of participation is admitted, the details can be left for satisfactory adjustment hereafter. Five principal modes of solution are, however, suggested and are briefly noted below.

Transport in bond.

(1) The Indian States in the hinter-land may be allowed to import Foreign goods in bulk, which may be allowed to pass through the British Indian Ports free, with proper seals and without breaking bulk, on to their destination; the States undertaking to collect duty at rates not lower than the British Indian Tariff rates on all such goods as may again cross their frontier into adjacent foreign territory. The Indian States would be free to levy such Customs duties on their frontier on the first importation of the consignments as they deem fit. This is being allowed to the State of Jammu and Kashmir.

Owning of warehouses at ports of entry.

(2) The Indian States may be allowed small pieces of land at the ports, which may be regarded as their "concession areas" where their imports could be warehoused and their duties collected on them and whence the consignments could be allowed in bulk to be transported to their territories under proper seals.

Hire of warehouses at ports of entry.

(3) The Indian States may be allowed to hire warehouses near the Ports from whence their consignments of imports could be transmitted to their territories after the collection of their Customs dues.

Rebates and drawbacks.

(4) The British Indian authorities may continue to collect as at present all the customs duties on goods imported in bulk for the Indian States, subject to rebates and drawbacks on articles which find their way in bulk to the territories of Indian States. This privilege has been extended to the maritime State of Travancore.

Customs Union.

(5) A Customs Union may be formed of British India and all the Treaty States on analogous lines with the German Zollverein, whereby all the Customs revenues would be pooled together for rateable distribution.

Modes of Distribution.

23489. 24. The mode of distribution is also not free from difficulty, but the method followed by the Zollverein and other Unions or Partnerships will furnish the necessary light. The Customs revenues may be distributed *pro rata* on the bases of—

1. Population.
2. Volume of Trade.
3. Amount of Revenue; or lastly
4. Amount of Expenditure.

By Population.

23490. 25. Population is an easy though rough method of reckoning. It may not be always satisfactory. There are States which though coming low in the scale of population have more advanced people leading an intensively cultured life, and which have more developed trade relations with foreign countries in consequence, and yet their share of the common revenues will not be in proportion to their trade.

By revenue or Trade Volume or Expenditure.

23491. 26. The amount of Revenues is a fair criterion of the advancement of a State, but is by no means an infallible standard. The scale of Expenditure is a more correct index of the stage reached by the particular State in the realization of the high ideals of State-craft. Especially would this be the result if personal expenditure of the Ruler is omitted from the account and expenditure is strictly limited to the amount spent for the welfare of the people. If even this basis is not generally acceptable, the volume of trade may be adopted as the ruling standard, provided there are reliable and accurate statistics of the Internal and External Trade of the State concerned.

The best method.

23492. 27. The general consensus of opinion would be in favour of adopting the rough and ready criterion of population for the distribution of the Customs revenues.

How the population basis will work in case of Baroda.

23493. 28. The population of India is thirty crores; and the probable income from Customs duties which the Government of India have budgetted for the current year is also thirty crores. At this rate, the share to be apportioned to the Baroda State would in all fairness amount roughly to 21 lakhs. The cost of collection should reasonably be allowed the necessary credit; and it would be equally reasonable if contributions towards the expenses of harbour improvements and of dock extensions is claimed by the maritime States or Provinces which provide these facilities.

The claim of the States not a new one.

23494. 29. The idea of giving a share to the Indian States in the Customs duties need not be run down as novel. There is little novelty in the suggestion. The Government of India have occasionally recognised the principle, and have admitted the States of—

1. Kashmir and Jammu,
2. Travancore, and
3. Some of the Rajputana States to a share of the Customs revenues in one form or another.

Kashmir.

23495. 30. Kashmir enjoys the privilege of getting its own consignments of imports transported in bulk free of Customs dues from the sea ports to its frontiers, where the State collects its own customs duties at rates not lower than the British Indian Tariff rates.

Travancore.

23496. 31. Travancore gets a refund of all duty collected on consignments of imports intended for the State, but landed at any British Indian Port on the Malabar coast.

Some Rajputana States.

23497. 32. Alwar and Kishengarh are being paid annual compensation for their concurrence in abolishing transit and customs duties in their territories while agreeing to the salt arrangements made for the Rajputana States. Alwar receives the amount of Rs. 1,25,000 every year.

The principle requires to be extended to all States.

23498. 33. The principle of compensating the States affected has thus been recognised and only requires to be extended to all the States, whose subjects pay these indirect taxes in the form of Customs duties for the sake of fairness and justice.

Considerations of amounts involved should not come in the way of the recognition of the claim.

23499. 34. The equity of the proposal should not be allowed to be overshadowed by considerations of the large amounts involved. Most of the Indian States labour at a great disadvantage. While their expenses of administration have leapt up to an abnormal pitch, their revenues are by no means as elastic as revenues of the Government of India. The Finance Member of the Government of India has besides an elastic customs revenue, the choice of increasing the tax on salt, the duty on opium, the postal and telegraph rates and also can manipulate the rate of exchange. The resources of Indian States are more or less rigid and cannot be expanded at will. They have often reached the margin beyond which the maximum of land tax could not be raised; and may have no other natural resources to fall back upon.

Salt revenue of Baroda territories.

23500. 35. As regards Salt arrangements, His Highness' Government have for a long time been urging their rights for adequate consideration by the Government of India. The Rajputana States which are affected by the British Salt monopoly on the Sambhur lake have all been compensated. The Central India Agency States of Gwalior and Indore have also been awarded an annual compensation for the loss of their salt revenue. Even the maritime States of Travancore and Cochin have received pecuniary compensation for certain rights over salt which they abandoned. The Gujarat States of Cambay and Radhanpur are being paid an equivalent for the duty they have foregone on salt consumed by their own subjects. The Kathiawad Maritime States are allowed to utilise their own salt for the consumption of their own people; and yet the Baroda State is kept back from this justice which is its due. The mere fact that its main Gujarat territories are distant and separated from its outlying Kathiawad maritime possessions ought not to be regarded as an insurmountable obstacle to their being allowed the use of Okhamandal Salt. Salt from Okhamandal and Kodinar could be brought to the Kadi District for consumption now that those outlying districts are being linked up by Railway connections. The Baroda Government should be allowed to use their own salt and collect duty thereon and not made to pay the British salt duty on salt consumed in the Kadi, Baroda and Navsari Districts.

Opium revenues.

23501. 36. Opium is another source of revenue now closed to the Indian States. Even after the closing of the China ports to imports of Indian opium, a large quantity of Indian opium finds the Chinese market through Japan. Large quantities of Indian opium are exported to the Straits Settlements and to French Indo-China. A considerable amount is also exported to Holland and other countries in Europe for the manufacture of medicinal drugs. There is little reason why opium grown in Indian States should not be allowed the advantages of the same foreign markets. His Highness' Government have also asked for an access to the tributary possessions of Rewa Kantha, Mahi Kantha, Palanpur and Kathiawad for opium grown in Baroda territory; and yet no relief is discernible in the matter of the British Indian opium monopoly (Letter No. 901, dated 18th December 1914).

Postal and telegraph revenues.

23502. 37. Postal and telegraph revenues are at present being wholly appropriated by the Government of India. These are also elastic sources of revenue of considerable help. His Highness' Government have urged the justice of rendering these revenues to Baroda for its own territories, by letter No. 2716, dated 22nd June 1920 and confidently expect that considerations of fairness will prevail in this respect as well.

Minting profits.

23503. 38. Lastly, the right of coinage which is an inherent attribute of sovereignty and is enjoyed by most of the larger Treaty States ought to be allowed to be availed of in furtherance of their fiscal interests. Imports of precious metals by the Maritime States in Kathiawad during the period of the Great War might have led to appreciable financial gains; and if the Indian States showed an alacrity to co-operate with the Government of India in prohibiting the import of gold to save them from financial loss, they equally expect reciprocal accommodation when large minting profits are concerned. His Highness' Government claimed a share in the profits of nickel coinage current within their territories; but they are yet denied this claim on grounds which are not convincing.

Just treatment asked for.

23504. 39. These are a few of the points which His Highness' Government would press on this occasion on the attention of the Government of India and the Fiscal Commission. It is sincerely hoped that considerations of expediency will not be allowed to drown the voice of Justice and Reason. The Indian States are bound with the Government of India by ties of alliance and friendship, secured by solemn treaties, and they have every hope that their just claims will receive that consideration which is

due to them from the Government of India who have always evinced a desire to deal fairly by these States. The equities of the case are clear, and they are sure to receive recognition at the hands of the eminent Statesman who at present holds the high office of Viceroy and Governor General and who is rightly regarded as an embodiment of British Justice.

MANUBHAI, N.

DECCAN;
The 23rd February 1922.

Oral evidence of Mr. Manubhai N. Mehta, Minister, Baroda State, Delhi, the 27th March 1922.

23505. *President.*—*Q.* Mr. Manubhai, you are Minister to the Baroda State?

A. Yes.

23506. *Q.* You appear on behalf of the following States:—

1. Baroda, 2. Gwalior, 3. Mysore, 4. Kolhapur, 5. Bikaner, 6. Kotah. 7. Patiala, 8. Tonk, 9. Banswara, 10. Datia, 11. Orchha, 12. Rampur, 13. Banares, 14. Jaora, 15. Palanpur, 16. Jhabua, 17. Morvi, 18. Panna, 19. Radhanpur, 20. Sailana, 21. Sirmur (Nahan), 22. Sitamau, 23. Dharampur, 24. Dhrol, 25. Jawhar, 26. Lindi, 27. Maihar, 28. Mudhol, 29. Sachin, 30. Sanghi, 31. Sunthrampur, 32. Wankaner.

A. Yes.

23507. *Q.* You also appear on behalf of the Baroda Government in connection with the supplementary statement which they have submitted?

A. Yes.

23508. *Q.* You have marked the statement representing the views of the States as "confidential". I would like to know what the wishes of the States are in that respect?

A. It was marked "confidential" because it was addressed to the Princes, but now that evidence is given before the Commission I do not see any point in its being treated as confidential.

23509. *Q.* There is one point which arises from both the statements about which I should like to have your views at the preliminary stage. You deal with the question of the allocation of customs revenue as between the British Government and the Indian States. As far as I have been able to judge from the Terms of preference to the Commission and the speech of His Excellency the Viceroy in which he extended the invitation to the States to place their views before the Commission, it appears to me that that question can hardly arise out of the enquiry on which the Fiscal Commission is proceeding. As a matter of fact I am glad that you are representing the States, because in paragraph 16 of the Baroda Government's representation you distinctly show that you have appreciated this point. You have dealt with it in the following words: "It is not a little unfortunate that His Excellency the Viceroy has prejudged the question to some extent when on the occasion of opening the last session of the Chamber of Princes he spoke of the Fiscal question as "one of joint concern to British India and the States, as though the revenue from Customs was a British Indian receipt, the effect of the Fiscal system adopted by Government is felt throughout India. His Highness' Government feel that the above is not a just exposition of the economic law underlying the Statement." I have got a copy of the speech which His Excellency made, and to my mind that also clearly brings out the point that I am raising now. The enquiry is in regard to the effect of any Fiscal policy adopted by India on the consumers and manufacturers not only in British India but also in Indian States. The Commission will consider amongst other matters the question of a protective policy for India. His Excellency says "This question is one of prime importance both for consumers and manufacturers in the States as well as in British India". As far as I can gather, the invitation which His Excellency extended to you was intended to elucidate your views on the question as to how a particular Fiscal policy for British India would affect your people as consumers and manufacturers. I should like you to tell me whether you agree with the view I have taken because if you do, you will obviously admit that this Commission cannot take evidence on the question of the allocation of the Customs revenue.

A. I am rather inclined to think that the Terms of preference to the Commission are comprehensive enough. His Excellency says that a protective Fiscal policy will affect the Indian States, as consumers and as manufacturers. I beg to say that from my stand point the consumers ought not to be affected by any increase in the tariff rates, because it is not for their benefit that the revenues are applied. That is one main point on which all the States agree.

23510. *Q.* I know. But may I point out to you that the consumers will be affected in either case, that is to say, if import duties are increased when a protective policy is adopted, or if a free trade policy is adopted and import duties are levied for revenue purposes, (I do not wish to prejudge the issue) the consumers of the Indian States will have to pay a part or the whole (that is a matter for discussion) of these duties. The question is whether that part should go to the States or to the British exchequer. I think His Excellency has made it clear, as you yourself admit, that the Customs revenue is exclusively the British Government's income. I hope you will realise this point which you have made in your written statement, namely, that the paramount power has got treaties on different lines with different States, Do you expect that this Commission should go into the question of treaty obligations between the different States, treaties entered into on different line and under different conditions, and the paramount power, and should determine what part of the Customs revenue should go under different treaties to different States? Do you think that it is a matter which can be carried out by an enquiry of the kind which has been entrusted to this Commission or that it is a matter which ought to be decided by the executive government in communication with each individual State?

A. This question requires two or three answers. First you ask me to tell you how any change in the fiscal policy must affect the States. Between 1882 and 1894 the revenues from Customs were about 1-30th part. In paragraph 22 of my statement I have made it clear that the Indian Sea Customs Tariff will always be framed partly for revenue and partly as a means of protection and that if there is any surplus due to revenue necessities over and above what is derivable on a free trade basis that excess of revenue has to be legitimately shared with the Exchequers of the Indian States.

23511. *Q.* That is not any answer to my point, namely, that the question is one which has got to be determined in view of the existing treaties.

A. That is the second part. All the Indian States have internal freedom. The question is with reference to our foreign relations.

23512. *Q.* You claim to have Fiscal autonomy for the States. That is a matter entirely for the Government of India to settle. That autonomy can only arise by virtue of treaties which may exist between the paramount power and the States. That cannot be the subject of an enquiry by this Commission. I think you will also appreciate the fact that this Commission is not in a position or cannot be in a position to go into those questions.

A. This, Sir, is a reply to which we have often been habituated. When we take a question to the Finance Department they refer us to the Political Department. When railway questions go before the Railway Department they refer us to the Political Department. When we go to the Political Department they refer us either to the Finance Department or the Railway Department. It reminds me, if I may say so without any disrespect, of the two attorneys Spenlow and Jorkins referring one to the other.

23513. *Q.* There is no analogy in the illustration that you have given, because the different Departments all form part of the executive Government of India, and therefore any departmental arrangements that may become necessary is a matter outside the scope of a public enquiry carried out by men, who so long as they are serving here, have nothing to do with the executive government of British India. We are tied by the reference made to us.

A. The Fiscal Commission will have to discuss this point with the Political Department.

23514. *Q.* No. The Fiscal Commission will not discuss it at all. It will only deal with the question what is the best tariff policy in the interests of India, and in considering this question they are quite prepared to consider how such a policy would affect the subjects of the Indian States. We are prepared to consider the views of the Indian States in

making recommendations in regard to the fiscal policy for British India, which is tantamount to embracing, if not the whole of the Indian States, a very overwhelming part of the States. On the issue referred to us we are prepared to consider any views that the States may desire to place before us as to the adoption of a fiscal policy which may not only be suitable in the interests of British India but also be advantageous to the subjects of the States. As regards this I shall hear your representation at any length. But as regards the allocation of revenue I cannot hear you. After all revenue consideration is a secondary one to the question we are called upon to consider. The Fiscal policy may lead to customs revenue, but we are not concerned with the extent of the revenue. We are concerned with the question as to what is the best Fiscal policy in the interests of British India, and in doing so, we recognise (as His Excellency has himself recognised in his speech) that it will affect the subjects of the Indian States, whatever that policy may be. We are quite prepared to hear (and we would welcome) the views of the States, we wish them to tell us what they think of the adoption of any particular policy for British India and how it will affect them ; and if it in any way affects them adversely, how to safeguard their interests in determining the fiscal policy. That I understand is the full scope of the enquiry that is entrusted to this Commission. On that I would welcome any expression of views which the States might desire to make.

A. From His Excellency the Viceroy's speech and from the communication we received we think that there is no such limitation ; that is, that our views should be limited merely to the question as to how fiscal changes would affect the Indian States.

23515. *Q.* Might I point out that you yourself have commented upon the speech of His Excellency the Viceroy? I am surprised to find that you now put forward that view. You have yourself said in your written statement " It is not a little unfortunate that His Excellency the Viceroy has prejudged the question to some extent."

A. Pre-judged in this way that he called the revenue to be a British Indian receipt.

23516. *Q.* Exactly. That is the basis on which the question is dealt.

A. I dispute that.

23517. *Q.* We are tied down by the terms of reference to us. I thought that the point was greatly simplified by the admission that you have yourself made.

A. It is no admission. It is a grievance.

23518. *Q.* That may be. I take it that your grievance has got to be submitted to other quarters.

A. It has got to be redressed by the Government of India and as you are sitting in judgment on that question ..... .

23519. *Q.* We are not sitting in judgment on that question.

A. The question of tariff reform would indirectly affect us all.

23520. *Q.* I know. This is how the Viceroy explained it. He said : " The question is one of prime importance both to the consumers and the manufacturers in the States as well as in British India."

A. If the Government of India, as they have done in the past, go on increasing the tariff rates it is taxing the subjects in the States without hearing them.

23521. *Q.* That grievance I am afraid the Fiscal Commission has not been called upon to enquire into. We are asked to enquire into the question how any fiscal policy would affect the subjects of the Indian States as consumers and as manufacturers.

A. Narrowed down to that point, all the subjects in the States would try to continue the free trade policy, because it would not add to their increased charges.

23522. *Q.* That is your considered view ; we will examine that issue?

A. Please see para. 16 of our joint memorandum.

23523. *Q.* But you have qualified your view. What I want to find out is this. Let them put forward what is in their opinion best for themselves. The Commission will exhaustively enquire into that view and will deal with it in making their recommendations. Subject to the restriction which has been put in His Excellency the Viceroy's speech, I am quite prepared to hear, in fact I would welcome, any considered views that the States might wish to put forward.

A. The views are embodied in paragraphs 16 and 17. Paragraph 17 gives expression to the real views.

23524. *Q.* If you pardon my saying so, the States are angry because the Government of India will not share the Customs revenue with them. Supposing for argument's sake, that 80 per cent. of the whole population want protection, you say that because the Government of India will not share the revenue with the States, therefore your 20 per cent. want free trade. The 80 per cent. will regard this to be prejudicial to their economic interests. If you take that view, do you think that, that would be a reasonable proposition?

A. I must admit that it is not a reasonable proposition But you limit me merely to this.

23525. *Q.* The Commission's functions are limited by the authority appointing the Commission. I cannot go beyond my sphere.

A. I can see from the questionnaire that it could not be applied to the Indian States, but at the same time I have to put forward this grievance.

23526. *Q.* Your grievance has gone on our records. Your Statement will go into our records.

Mr. Jamnadas Dwarkadas.—May I ask, sir, if it is your ruling that this matter cannot be discussed by the Commisson?

23527. *President.*—*Q.* The Commission cannot consider anything which is not in the terms of reference. It is a very important question. I want Mr. Manubhai as the representative of the States to realise the difficulty which I feel, and to say that the hands of the Commission are tied by the speech of His Excellency the Viceroy and the reference that has been made to us. Within that limitation I am quite prepared to consider the views of the States.

A. We also realise the difficulty. But at the same time if we merely proceed to the Political Department with our grievance at this juncture the Political Department will say that the best channel through which these questions could be discussed would be the Fiscal Commission.

23528. *Mr. Mant.*—I spoke to the Political Secretary this morning, and I understand that that is not his view at all.

A. I am glad to be disillusioned. But my past experience has been going from one to the other.

23529. *Sir Manakjee Dadabhoy.*—*Q.* Does not the very fact that no member of the States was put on the Commission give a clear indication of the idea of Government?

A. It only gives us another ground of grievance in that we are going to be taxed without being heard.

23530. *President.*—*Q.* I am glad that Mr. Manubhai has recognised the view that I have been putting before him. We will examine him on behalf of the States and on behalf of the Baroda Government on the issue referred to us. What would be the views of the States you represent as regards the best fiscal policy in the interest of India?

A. The views are summed up in paragraph 17, which would be a protective duty.

23531. *Q.* You would be in favour of a protective duty?

A. I am in favour of scientifically constructed protection, but no indiscriminate protection.

23532. *Q.* That you have made perfectly clear. You feel that if duties are increased by way of protection it would be to the economic well-being of India?

A. I do, sir.

23533. *Q.* To a certain extent protection in British India would be helpful to the development of industries in the States?

A. Not always sir.

23534. *Q.* I say to a certain extent it would be helpful.

A. Yes, but there may be many exceptions.

23535. *Q.* I am only saying that it would be helpful in establishing such industries in the States for which there are facilities.

A. Yes.

23536. *Q.* In your opinion the States would be better off in the matter of industrial development under a protective policy in British India?

A. That depends upon our participation in the revenues.

23537. *Q.* That is a different issue. I am merely dealing with the fiscal policy.

A. Yes. They will be better off.

23538. *Sir Edgar Holberton*—*Q.* Mr. Manubhai, I propose to ask you a few questions largely on the statement of the Baroda Government. In paragraph 3 of your note you point out that certain industries which at one time had attained a high degree of excellence are withering owing to free and unfettered competition of foreign countries. Could you elaborate that point a little further?

A. For example the gold thread industry.

23539. *Q.* Have you got any more?

A. Fine weaving of textiles.

23540. *Q.* The point really is whether the gold thread and fine weaving industries were of any real importance in the country?

A. Yes.

23541. *Q.* Were they very largely spread over the whole of India?

A. Not over the whole of India, but there were certain local centres which were of great importance.

23542. *Q.* You say they were more or less killed ?

A. Yes.

23543. *Q.* Were they killed by the importation of cheaper yarn and cheaper gold thread ?

A. Yes.

23544. *Q.* The importation of cheaper yarn and thread might either mean that the consumers would getithe articles cheaper or they would have to get inferior articles ?

A. They got inferior articles.

23545. *Q.* Was the article serving the consumer's purpose ?

A. It was serving his purpose.

23546. *Q.* Could you give me any idea of the numbers of population who are likely to suffer by the depression of these industries ?

A. You mean in the whole of India ?

23547. *Q.* Yes.

A. It would be a small percentage.

23548. *Q.* You mentioned two industries that were allowed to go down. The question would require serious consideration by this Commission whether those industries should be started at the expense of the whole population of India. I was hoping that you would be able to give me something big. Would you care to give me any other instance ?

A. In my part of the country these are the instances.

23549. *Q.* With reference to paragraph 7 of the Baroda Government's statement you describe India as a vast infant country. You mean in the way of education ?

A. I have marked three stages, which are agriculture, manufacture and commerce. There is only agriculture in India, and therefore I call it an infant country.

23550. *Q.* Your point is that a nation ought to emerge from agriculture to manufacture and commerce.

A. She has to emerge from agriculture to manufacture and then to commerce. She is in agriculture, and therefore I call her an infant.

23551. *Q.* Then you go on to say that protection is necessary for an infant industry that is just struggling into being and that is likely to find a favourable pabulum for its healthy growth in a country. Would you go so far as to recommend protection to all infant industries ?

A. I would recommend protection to all industries for which there is a natural fitness or suitability in the land.

23552. *Q.* You would make the grant of protection subject to the condition that there are natural advantages in India ?

A. Yes.

23553. *Q.* At what point would you protect them ? We have had put before this Commission all sorts of views.

A. I call my tariff a scientifically constructed tariff. Every three years you revise it. If an industry is developed by the time you revise it then you would reduce the protection.

23554. *Q.* Would you start such industries, or would you allow private enterprise to start them and then help them during the initial stages ?

A. There ought to be private enterprise.

23555. *Q.* You would not recommend that the State should step in and start new industries ?

A. No.

23556. *Q.* You are prepared to take measures against dumping ?

A. Yes.

23557. *Q.* Have you suffered from dumping in recent years ?

A. We had some sugar refineries which suffered on account of the dumping of cheap sugar.

23558. *Q.* Last year ?

A. No. Not last year. It was in previous years.

23559. *Q.* At the present moment sugar is rather a highly protected commodity ?

A. I was talking of 7 or 10 years ago.

23560. *Q.* Apart from sugar, have you to your knowledge any industries which have suffered from dumping ?

A. No. Not in Baroda.

23561. *Q.* Speaking with your knowledge of other States have you any instances of industries which suffered from dumping ?

A. There would be several, Mysore, for instance.

23562. *Q.* Which one ?

A. I will not call it a key industry. In Baroda there was during the war a cocoa and chocolate factory which suffered on account of foreign competition after the war. It was not a mere chocolate factory. It produced also glycerine, etc.

23563. *Mr. Seshagiri Ayyar*—The soap industry in Mysore also suffered.

A. Yes.

23564. *Sir Edgar Holberton.*—*Q.* Have you got any key industries in Baroda ?

A. I do not think there is any key industry in Baroda.

23565. *Q.* Then you are only speaking broadly ?

A. Yes.

23566. *Q.* There are one or two questions which you may not care to answer. It is a fact that in order to avoid the incidence of taxation in British India it is rather becoming the custom of merchants to put up factories and mills in the Indian States ?

A. They do it not because they want to avoid any incidence of taxation, but because there are other facilities which they get.

23567. *Q.* That is a very interesting point. There is a process of capitalists trying to establish factories in Indian States ?

A. It is probably because some of the States are inspiring more confidence.

23568. *Q.* That is what I wanted to get at. Is it because the States are giving some assistance ?

A. They are giving assistance.

23569. *Q.* Will you say what sort of assistance they are giving ?

A. I think we are giving them loans ; we are acquiring lands for them under the Land Acquisition Act ; and we give them customs facilities also, *i.e.*, we give them exemption from customs.

23570. *Q.* That is your State's customs ?

A. Yes.

23571. *Q.* Well, in fact you really have definitely adopted, as regards your State, a policy of protection.

A. We have really no customs, and so there is no protection.

23572. *Q.* Protection does not consist entirely in customs. You have been giving facilities ?

A. Yes.

23573. *Q.* That is very interesting to us. Have you had very many people who are taking advantage of the facilities ?

A. I should think during the last two years there have been several people. We have got 12 cotton mills, some cement factories, some oil factories.

23574. *Q.* In fact, the result of your policy has been a definite trade expansion ?

A. Yes.

23575. *Q.* To that extent your policy up-to-date is very successful ?

A. Yes : it is hopeful.

23576. *Q.* And I suppose it will be a definite advantage to the State to bring in an industrial revival ?

A. It would be a great advantage.

23577. *Q.* At present the majority of your State people are agricultural ?

A. 66 per cent. of our people are agricultural.

23578. *Q.* Now do you find in your States any difficulty of labour ?

A. Not much.

23579. *Q.* Do you find for instance that those concerns which are situated in your States find locally the amount of labour they require.

A. Yes. They do.

23580. *Q.* In addition to that, do you export any labour ?

A. From Kathiawar labourers go to Bombay. Labour is also exported to Ahmedabad.

23581. *Q.* That is looked upon with favour by the administration of the State ?

A. Yes,

23582. *Q.* It brings money to your States ?

A. Yes.

23583. *Q.* Of course those people who go are not put under any disabilities in British India ?

A. No.

23584. *Q.* Nor do you put any disabilities on labour from British India ?

A. We do not put any disability.

23585. *Mr. J. C. Coyajee.*— *Q.* Have you employed bounties to assist industries ?

A. No : we have not.

23586. *Q.* There was an assertion made before this Commission by two witnesses—Professor Jevons was one of them—that in the case of most Indian States a policy of protection is not likely to encourage substantial industries ?

A. I do not see why he made that assertion.

23587. *Q.* Then comparing the manufacturing potentialities of British India and of Indian States as a whole do you think the potentialities are fairly equal ?

A. They are.

23588. *Mr. Seshagiri Ayyar.*—*Q.* Supposing this Commission records the adoption of a policy of free trade,

would the Indian States be in a better position than if they recommended a policy of protection ?

A. They would not be.

23589. *Q.* Suppose we adopt the principle of protection, would the subjects of Indian States enjoy the same privileges as the subjects of British India would enjoy—I mean in the starting of new industries ?

A. Yes.

23590. *Q.* As regards the disadvantages to the consumer in a policy of protection, I suppose the Indian States would not be in a worse position than the subjects of British India.

A. That is correct, except for the position that they would be taxed without deriving any advantage from the proceeds of that taxation.

23591. *Q.* Apart from that, generally they would not be in a worse position ?

A. No.

23592. *Q.* So, whatever policy be adopted—free trade or protection—there is no need for any differentiation between the subjects of British India and subjects of Indian States ?

A. No.

23593. *Q.* Your point is that you want to get a share of the customs duties. Apart from that there is no need for differentiating between these two classes of subjects ?

A. No.

23594. *Q.* In paragraph 8 of your memorandum you state : "The protection of textile fabrics of counts above 40 would be justified on the ground of their infancy, but protection of the textile industry for the coarser counts can only lead to the enriching of the few at the expense of the many." Would that apply also to the handloom industry ?

A. It would.

23595. *Q.* I want to ask a question because it is not apparent from the memorandum you have put in. Is there a large field in Baroda or in any Indian State for the operation of the handloom industry ?

A. There is.

23596. *Q.* At present there are not many power looms in those places ?

A. We are introducing them.

23597. *Q.* Does the handloom industry derive any particular benefit from the State ?

A. None.

23598. *Q.* At present in consequence of the absence of the power loom industry the handloom industry is not affected ?

A. It is not affected.

23599. *Q.* I believe the handloom industry is a flourishing industry ?

A. It is.

23600. *Q.* Supposing power looms are started in the States, do you think the handloom industry would be affected ?

A. I do not think they would be affected. Their spheres are different.

23601. *Q.* That is, the persons to whom they cater would be different ?

A. Yes.

23602 *Q.* You refer for example to the gold lace trade, and you state that in consequence of the introduction of cheap foreign gold lace the Indian industry has suffered ?

A. Yes.

23603. *Q.* Sir Edgar Holberton asked you whether the consumer is not entitled to have the cheaper gold lace if he chooses to have it.

A. If the consumer chooses to have it, one cannot prevent it.

23604. *Q.* But do you agree that the consumer does not really benefit by the cheaper lace ? The good gold lace wears longer. The cheaper lace fades in colour and ultimately the consumer is not benefited by it.

A. That would depend on so many factors, such as changing tastes.

23605. *Q.* Apart from changing tastes, cheaper things do not always mean real benefit ?

A. Yes.

23606. *Q.* One gentleman gave evidence before this Commission as regards the manufacture of spirits. You know that to a certain extent the Indian States are regarded as foreign territory ?

A. Yes, as regards the Customs Act.

23607. *Q.* By their being treated as foreign territory are they put in a worse position ?

A. You refer to the Alembic factory that is manufacturing spirits and liquor in Baroda ? They have to pay duty twice over.

23608. *Q.* How ?

A. Once when they are imported into Bombay and again when they are imported into the area of consumption.

23609. *Q.* So, what you would like is that you should either be regarded as entirely foreign territory or as solely Indian territory ?

A. The present position is inconsistent. If the President had allowed me I would have said that.

23610. *The President.*—You are quite welcome to give your opinion. You can tell us how the present fiscal policy adopted in British India affects your people. Where you have grievances as regards the present policy you are perfectly welcome to give vent to them Only the question of allocation of the revenue cannot arise in this Commission. You are perfectly welcome to give expression to any grievance in regard to the Fiscal policy adopted in British India.

23611. *Mr. Seshagiri Ayyar.*—*Q.* A private manufacturer from your State has given expression to the grievance I referred to, and you as representing the various Indian States are in a much better position to explain the position to us authoritatively.

A. That spirit manufacture is put at a great disadvantage.

23612. *Q.* Is there any other industry that would suffer similarly ?

A. That is the only industry I can think of.

23613. *Q.* That is, in consequence of the excise policy of the Government of India, if spirit is manufactured in an Indian State it has to pay customs twice over ?

A. And it cannot get any footing in certain provinces. For instance, the Punjab Government refused to import any liquor from Baroda.

23614. *Q.* That is to say, the Local Governments refuse to take any spirits manufactured in Indian States. In that way also Indian States suffer ?

A. Yes.

23615. *Q.* Apart from spirits, there is no other industry that would suffer, if it is started in an Indian State ?

A. There are other industries, *e.g.*, sulphuric acid. A sulphuric acid factory would not get salt because it is a monopoly of British India.

23616. *Q.* So, the manufacture of sulphuric acid would be handicapped ?

A. Yes,
generally alkali industries would suffer.

23617. *Q.* All these that depend upon salt would suffer ?

A. Yes.

23618. *Q.* Apart from these two, you do not think that the manufacturer in an Indian State would suffer ;

A. There would not be any disadvantage unless there is monopoly in British India.

23619. *Q.* Now, if a portion of the agricultural population are drawn to industries, do you think that agriculture would suffer ?

A. No.

23620. *Q.* What is the extent of the population that take to agriculture in your State ?

A. 66 per cent.

23621. *Q.* You think that a good portion of that 66 per cent. can be drawn to industrial pursuits and that agricultural would in no way suffer ?

A. Yes.

23622. *Q.* Of course, there have been famines in your places ?

A. Unfortunately, yes.

23623. *Q.* Supposing you put an export duty on foodgrains, would that have any effect on the famines ?

A. Well, we have been up to now consistently opposed to any export duty. But other States have been in favour of those duties, and during the last famine I saw that those duties were useful in keeping the grain in the particular localities.

23624. *Q.* You mean prohibition ?

A. Prohibition or heavy export duties.

23625. *Mr. Mant.*—*Q.* The question of the allocation of the customs revenue has been ruled out of order. There are a number of other grievances put forward in your memorandum which I think are of doubtful relevancy. The first one is about currency and the right of coinage.

The President.—Surely, it is obvious, Mr. Mant, that it is not within our terms of reference.

Mr. Mant.—True, but I do not want to pass over these statements in silence. I want to have it on record that we did not consider these points. The other is opium, and also postal rates and salt.

President :—These must be ruled out.

A. (Witness.) In that connection I may state that when the Princes' Chamber was started one object was to provide some channel or agency by which these questions of joint interest to British India and Indian States could be discussed.

23626. *President* :—*Q.* I am glad you have made that explanation. It means another tribunal has already been appointed to deal with these matters. The Fiscal Commission has not got to consider that.

A. If the Fiscal Commission discussed these questions, it would be easier for the Princes' Chamber to discuss them, something should be done to put the matter before the executive Government.

23627. *President* :—If the Government of India want to enquire into the matter I have no objection. If the Government of India specifically ask us to go into this, then we have no objection.

A. We say that during the past Indian States have not been consulted and there ought to be some channel of consulting the States.

23628. *Mr. Mant* :—As regards the tariff policy the general position of the States you represent is stated in para. 16 of the joint memorandum. I understand the position is this : that if the States are given a share of the customs revenue they favour protection.

A. They do favour protection and ask for a share of the revenue. They do not favour free trade at all.

23629. *Q.* I understood them to mean that if they did not get a share they would favour free trade. They say : "The easiest remedy, therefore, for the practical injustice of the present order of things is for the States to suggest, *apropos* of the main question before the Fiscal Commission, that India should remain a free trade country."

A. But they proceed to state that such an attitude would be extremely selfish.

23630. *Q.* It is a little vague. I wanted to make your position clear. You are in favour of protection whether you get a share of the revenue or not ?

A. Yes.

23631. *Q.* Well, have you any suggestions to make for the States to be represented, or their subjects to be represented in applying the principle of protection ?

A. If I may venture to make a suggestion, if there is a permanent board for settling these tariff rates, one member from the Indian States may be asked to serve on that board so as to watch the interests of the States.

23632. *Q.* Of course you realise that the decision as regards the actual duty will rest with the Indian legislature, though if a policy of protection were adopted, there would presumably be an enquiry by some sort of Board before any matter was brought before the Legislature.

A. I say Indian States represent ⅓ of the population of India and it would be more satisfactory if some representatives of the Indian States are joined on to the Board. Their interests are generally identical with those of British India, though in some respects they may differ.

23633. *Q.* In England under the Safeguarding of Industries Act, they have a large panel of jurors who are permanently on the roll, and when they want to enquire in to a particular industry they choose out a jury of five. If that system is adopted, do you think it would be a feasible arrangement to put members of the Indian States into that panel ?

A. Yes.

23634 *Q.* There is one other question. You sum up the views of the States of Imperial Preference in these words :— "The view briefly is that the producer and the exporter in India should have no restriction placed upon his liberty to sell his produce in the best possible market."

A. In other words, the States are not in favour of Imperial Preference.

23635. *Q.* Would you explain what is meant by that statement ? It does not seem to me that Imperial Preference places any restriction on the liberty of the producer.

A. What they mean is that they should have a free hand in the determination of their tariff. They did not feel that there was equality of citizenship of the Empire : that was also their view.

23636. *Mr. Jamnadas Dwarkadas.*—*Q.* You said that there was some difficulty in consequence of British India treating your State as foreign territory. You instanced the case of the Alembic Chemical Works and spirits. Now, I understand — we were also told by the witness who appeared on behalf of the Works—that that difficulty has been got over, because so far as that particular concern is concerned the idea of treating it as within foreign territory has been dropped.

A. There is still some political difficulty. It is this : in order to export the spirits they have to be examined in Baroda by some British officers. So that difficulty will remain.

23637. *Q.* With regard to the Punjab Government not admitting the products of the Alembic chemical works in their Province, have you any objection to tell us if you have made any representation fom your State ?

A. I have no objection to tell you. We made a representation and they refused to admit on the ground of temperance, which I was rather amused to read.

23638. *Q.* You said that you have various industries started in your State ?

A. Yes.

23639. *Q.* I suppose some of the companies that have started these factories in your States are registered in either Bombay or some part of British India. What is the policy adopted by the British Indian Government in such a case ?

A. If the location of the factory is in Baroda they treat the products of that factory as if it were foreign, even though the company may be registered in British India.

23640. *Q.* On this question, don't you think that a different policy ought to be adopted ?

A. Yes ; it ought to be.

23641. *Q.* It is a British Indian concern for all practical purposes, and the only thing is that its factory is located in an Indian State.

A. What I am particularly anxious is that the location of factories in Indian States' territories ought not to be discouraged or handicapped by such differential treatment.

23642. *Q.* You stated that you were in favour of a policy of discriminating protection ?

A. Yes.

23643. *Q.* Now, if a policy of protection were adopted, don't you think that along with the advantages that would accrue to the British Indian subjects by that policy of protection, there will be a simultaneous advantage to the subjects or Indian States also ?

A. There will be.

23644. *Q.* Leaving aside the question of the allocation of the revenues, you are in no way opposed to a policy of protection ?

A. With certain limitations, *viz.*, it is discriminating and it is sufficiently guarded as not to allow trusts and combinations.

23645. *Q.* In your memorandum you have mentioned certain industries whose claims for protection must be considered. What would be your general attitude towards industries which have not yet been handled ? Do you think that a policy of protection should be adopted in their case ?

A. As I said provided the industry met with favourable surroundings in the soil, protection ought to be given.

23646. *Q.* Would you select those industries for which there is a prospect ?

A. Yes.

23647. *Q.* What form would your protection take ? Would it take the form of import duties on articles produced abroad or would it take other forms ?

A. In certain cases a bounty may have to be given. Where an industry is confined merely to one small locality, instead of increasing the import duty the State should give a bounty.

23648. *Q.* You may answer this question if you like. Does your State give bounties ?

A. No ; but in the preliminary investigation we render them all the help in getting expert scientific opinion. After starting the industry, we do not give any bounty.

23649. *Q.* Do you encourage the growth of industries in the country by training experts ?

A. Yes.

23650. *Q.* I should like to know what your Satte does towards training experts ?

A. We have systematically been adopting the policy of sending people to Europe and America.

23651. *Q.* You have also an institution in your State where you train people in chemistry.

A. Yes. We have lately also been sending people to Europe and America in order to get training there.

23652. *Q.* You give them Scholarships ?

A. Yes, loans and scholarships.

23653. *Q.* You send your students to Europe, America, England, Germany and other places. Do they get facilities for training in the factories in England ?

A. I am afraid not much.

23654. *Q.* In Germany ?

A. Of late they have been getting facilities.

23655. *Q.* In America ?

A. Yes.

23656. *Q.* Have you represented to the Government that in England your students do not get facilities ?

A. No, I have not represented.

23657. *Q.* May I take it as your opinion—it has been expressed by many witnesses—that while purchasing stores largely from England we ought to make it a condition with

the English factories that they ought to take your men for purposes of training ?

A. It would be desirable, but I am not sure whether we can attach that condition to our purchases.

23658. *Sir Maneckjee Dadabhoi*—*Q.* I understand from your evidence that the policy which has been adopted by Native States is one of encouraging their own industries and giving them all manner of protection ?

A. Yes.

23659. *Q.* And this has been adopted for several years past ?

A. I think so.

23660. *Q.* That policy has been adopted in antithesis to the policy of free trade which has been adopted in British India. Your Native States have come to the conclusion that that policy has been of considerable benefit to the people and you also feel that it is in the interests of the States ?

A. Yes.

23661. *Q.* I understand that the protection that your States give is easy loans.

A. Yes.

23662. *Q.* State information, initial aid, exemption from customs duties, cheap land and sometimes free gift of lands.

A. No free gift of lands.

23663. *Q.* Cheap lands and all other substantial assistance ?

A. Yes.

23664. *Q.* Do you think that it pays in the long run to the State ?

A. Yes, I think so.

23665. *Q.* You get additional revenue ?

A. Yes in the form of excise.

23666. *Q.* You consider that the State prospers economically ?

A. Yes.

23667. *Q.* The subjects are in a better position ?

A. Certainly.

23668. *Q.* If a similar policy is adopted in British India, I believe it would not really be in conflict with your interests ?

A. No.

23669. *Q.* Your interests as well as the interests of British India are identical ?

A. Yes.

23670. *Q.* If a policy of protection is adopted in British India, do you think that it would give indirect benefit to the States ?

A. Yes.

23671. *Q.* Now I should like to know whether you would give protection to new industries ?

A. Yes, if they will be of use to the State.

23672. *Q.* So, you would not limit protection to existing industries.

A. No.

23673. *Q.* In this connection, I would like to know one thing from you. You said in answer to Mr. Mant that you would like to have in the permanent board representatives of Native States. Would not that position be anomalous : because this permanent board would be under the control of the Indian legislature, and they will only decide with reference to the policy of British India. To put representatives of native princes in this body would make the position anomalous.

A. It would reduce the anomaly.

23674. *Q.* How ?

A. At present we are not heard, at all.

23675. *Q.* You think that this body when making recommendations will also look to the difficulties of Native States ?

A. Yes.

23676. *Q.* Do you think that one or two representatives on a board like this will have any influence ?

A. It will depend upon the quality of the men.

23677. *Q.* Most of these states have what is called 'transit duties.'

A. They are all abolished.

23678. *Q.* You don't impose any duty on stuffs that come from British India ?

A. In Baroda we don't. In Gwalior and Indore they do.

23679. *Q.* In Hyderabad they have a duty of 5 per cent. on every piece of article that comes from British India and also on every article that goes to British India.

A. That will be their own export and import duties.

23680. *Q.* Will not those duties come in conflict.

A. In Baroda we have abolished those duties.

23681. *Q.* Have you got anything like excise duty ?

A. We have.

23682. *Q.* On cotton ?

A. Yes. We get one lakh and fifty thousand in excise.

23683. *Q.* Have you any duty on yarn ?

A. No.

23684. *Q.* On yarn fabrics ?

A. No.

23685. *Q.* On imported yarn ?

A. No.

23686. *Q.* You don't think there is any real conflict between the handloom and the powerloom industry in your part of the country ?

A. I don't think there is any.

Witness No. 146.

The Hon'ble Mr. Lalubhai Samaldas, C.I.E.

Written statement, dated the 6th March 1922.

23687. The main goal of a Government is not only to preserve law and order, but to improve the physical, intellectual, social, economical and moral conditions of the people of the country. Although the present inquiry is directly concerned with the improvement of the economic condition of the people in as far as it is likely to be affected by the impositions of tariffs, yet as the former depends so much on the improvement of other conditions, I will have sometimes to refer to the necessity of improving these as a means of advancing the industrial regeneration of the country.

23688. All self-governing countries have always tried to be as far self-contained as possible, so that they may not have to depend upon any other countries for their requirements. The necessity for making such a provision is felt because the world is divided into various races and nations each fighting for superiority over the other. If the whole world were one federated state, free trade would be the ideal policy to be adopted between the component federated states. Even if the existing states, in spite of differences of race and religion decided to allow free ingress and egress to all commodities, each nation producing articles for which it was best suited and if there were one common currency protective tariffs would be deemed unnecessary. Richard Cobden thought that he would be able to instil this ideal of humanity in all nations if not on spiritual, then at least on selfish grounds. He, however, failed, as he was bound to do so long as human beings are even now mere beasts with a veneer of civilization only. In spite of the teachings of Lords Shri Krishna and Buddha and after twenty centuries of the progress of christianity the late war showed that man was not only a possessory animal, but pre-eminently a fighting animal. When nations are not fighting with weapons, they are usually fighting with pen and very often with tariffs. While self-governing countries are free to adopt any policy that suits them, dependencies are obliged to carry out the behests of the governing nations. Since the advent of the British in this country, India has never had an opportunity of adopting protective or any other policy for the industrial development of the country, as the Government of India was not free to take any action which would clash with the commercial interests of English manufacturers.

23689. Under the orders of the Board of Control of the East India Company, active measures were adopted by the Government there to crush out of existence indigenous industries in the country. Mr. Romesh Chandra Dutt has quoted chapter and verse to prove that the British policy in those days was to kill all competition from India of manufactured articles, especially of piece-goods. Not only were high protective duties put by England on Indian imports but insidious attempts were ordered to be made in the country to divert skilled artisans from their industrial pursuits. At the same time, facilities were being given by the manipulation of Railway rates, etc., to bring manufactured British goods at the door of the consumer at as low a cost as possible. When England adopted the policy of free trade under the advice of Richard Cobden in Peel's time, she did it to enable the

labourers to get cheap food so that they could produce manufactured goods at a low cost and thus enable England to capture the world markets. Owing to her geographical position and the advanced condition of her industries, that policy was the best in her interests at the time; and that policy was also introduced in this country without studying the industrial needs of the country, as it helped England to push the sales of the manufactured goods all over this country. To the British manufacturer, India was and is nothing more than a good market. This idea has so much obsessed the Manchester manufacturers that when the Government of India put up this year 11 per cent. duties for revenue purposes only, they carried on a very strong agitation in England either for the abolition of these duties or for an imposition of a countervailing Excise duty. India had fortunately Mr. Montagu at the head of the affairs and the Coalition Ministry was strong enough to withstand the pressure of the Manchester Members; otherwise, the British Cabinet might have been obliged to cave in, and India's interests would have been sacrificed at the behests of the Manchester manufacturers in the name of free trade. It will be seen that while in early days of the British administration of this country, the policy of Government was to throttle Indian industries, in the later days, after the adoption of free trade policy by England, the same policy was forced on India and till a few years back very little if any interest was taken by Government in the industrial development of the country. The demand for higher technological instruction was met by the reply that there was no demand for such highly trained men by existing industries in the country and the demand for protection or subsidies was met by the usual reply that it was not the duty of Government to render financial assistance to private enterprises. India thus suffered from all the evils of a laissez-faire policy, the attitude of Government towards the development of indigenous industries and the establishment of new industries being entirely apathetic if not at times hostile. Lip sympathy was expressed now and then, but Government did not go beyond the stage of such lip sympathy.

23690. With the introduction of the Morley-Minto Reforms and the greater awakening of the industrial consciousness in the country, a Bombay representative in the Imperial Council Sir Ibrahim Rahimtulla—moved a resolution suggesting the appointment of a Commission to investigate and report on the measures necessary to secure the development of Indian industries, Government accepted the resolution and appointed a Commission of inquiry presided over by Sir Thomas Holland. The terms of reference, however, were so framed as to keep out the fiscal policy of the Government from the scope of the inquiry, an omission to which attention was drawn by the Indian Merchants' Chamber and Bureau and other bodies but no action was taken thereon. Since the appointment of the Commission, and more specially after the difficulties experienced during the great war, the angle of vision of Government officials has changed to a certain extent. But even now, when England herself has introduced measures to protect her key industries we are still having a commission merely to inquire whether protection or free trade is the best policy for India; instead of having a Committee to find out the best method of supporting existing industries and establishing at least new key industries in the Country.

23691. It will be seen from the above that England has not been consistently a free trading country. Her Governments have changed their policy from time to time—from protection to free trade and then again to part protection and imperial preference according to the industrial needs of the country as they varied from time to time. India under the British rule has had neither a fiscal policy of her own, nor have the Government of India adopted, any well-thought out and constructive measures for the industrial development of the country. The time has now arrived to take up in right earnest the work of systematically fostering the growth of industries in such a way that India may in the near future be able to produce and manufacture all articles needed by her sons. Protection by itself cannot do this. What is required in addition to protection wherever found necessary, is to take up the work of preliminary investigation regarding the establishment and development of key industries—in which I would include the Iron and Steel industry—and to suggest the best methods of helping the existing and starting new industries by (1) the provision of technological institutes and Technical schools, (2) extending the scope and improving the present system of primary education, so that unskilled labour may be trained for skilled work, (3) by providing railway facilities for the carriage of raw material and finished products, (4) by providing her with a mercantile marine of her own, (5) by the opening of Museums and holding of exhibitions to bring the manufacturers into direct touch with the consumer and (6) by the starting of consumers Co-operative Societies all over the country to do away as far as possible with the profiteering carried on by middle men.

23692. Each country has to adopt a policy of free trade or protection—and that in a general way or for particular manufacturers—according to its political and industrial conditions. While academically I wish the whole world to have one common currency and no restriction on trade, in the present condition of India, protection of some sort whether by tariffs or subsidies is absolutely necessary. Tariffs provide a more suitable form of taxation than direct taxation in India and if more money is required by Government I would like them to have recourse to tariffs in the first instance, and to keep the industrial needs of the country in mind at the time of fixing the customs duties for various articles. The existing tariff being for revenue purposes only, has had no direct effect on the advancement of industries, nor will the continuance of the same policy have any such effect. I am strongly against the imposition of countervailing excise duty on Indian manufactured goods when any customs duty is imposed on foreign goods.

23693. While the primary object of imposing customs duties is and will be to obtain revenue for Government, the Tariff should be so manipulated as to give protection to existing and to foster the growth of new industries. I do look forward to the day when India will be self-contained industrially and will not have to depend upon other countries for its requirements of manufactured goods. With what little knowledge I have of the agricultural, forest and mineral resources of the country, I do not see any reason why India should not, in the near future, be quite self-dependent in these matters if an active policy on the lines mentioned above is adopted by the Government and the people.

I would like protection to be extended to such industries as can after a certain number of years withstand foreign competition without any extraneous assistance. While tariff provides the best method of protection of struggling industries in existence, help for the promotion of new industries should take the form of money grants and various other facilities some of which I have mentioned at the end of my prefatory remarks. Government must seek the advice of technical experts and of industrialists in framing a programme for future work in this direction, and put down the order in which new industries should be taken up for grant of such assistance.

23694. In case of import of foreign goods which are subsidised by the producing countries, a countervailing import duty to the same extent should be levied to grant special protection to home industries. India's or Britain's representative in those countries should be in a position to get definite information on the subject and keep the Government of India informed of the same. It may also be advisible to send out now and then a Commission of enquiry for this purpose just as Professor Hamilton was sent to Japan.

23695. I want hand industries to be maintained and helped through the Co-operative movement by starting weavers' Societies, etc.

23696. At present there is no danger of any combination of producers in a nature of American Trusts coming into existence in this country. If, however, such a contingency arises, the then Indian Legislature which is bound to be more democratic than now, will be in a position to take steps to counteract the evils likely to result therefrom.

23697. I do not think for some time to come British capitalists would care to start industries in this country to take advantage of protective duties. If after a few years they want to come in, I would not prevent them from doing so provided at least 51 per cent. of the capital is Indian and half the Directors are Indians also. I am against allowing any other foreign capitalists including colonials to start industries or to get mining concessions in this country.

23698. When the interests of the producers of raw materials, the manufacturers and the consumers of finished products clash Government can with the advice of the Board mentioned in my reply No. 29 (below) take such action as will lead to the greatest good of the greatest number.

23699. I am in favour of creating a permanent Board for examining the claims of various industries for protection and fixing the nature and amount of protection to be granted to each industry. Such a Board is necessary not

only to give advice about protective duties for various industries but to advise as to what class of machinery or raw and part manufactured articles should be allowed duty free or should be charged a very low duty to help other industries. As an instance I may refer to electrical machinery.

On behalf of companies interested in the greater use of electric powers in this country, Mr. Cursetjee has given evidence to show that a reduction of duty on electrical machinery and equipment will lead to a cheapening of the cost of producing of electricity. With cheap electricity a larger number of small industries may be started than is possible otherwise. All these questions will come up to the proposed Board for their advice.

23700. On general grounds I am not in favour of the idea of Imperial Preference. The very term "Imperial Preference" connotes preference on political and not on economic grounds and in so far as it has political significance, it can well be left to be decided on by politicians. From the purely economic point of view, I do not object to give preference to any country if there is reciprocity, and if it is found necessary after proper enquiries that the granting of such preference is in the interest of the industrial development of this country.

23701. Amongst the existing industries in the country that need protection by tariff for some years, I shall mention only those about which I have some personal knowledge and they are :—Iron and Steel, which in a sense is a key industry, sugar, cement and glass. In Iron and Steel, I include all subsidiary industries also, as regards the utility of the former, there can be no two opinions after the splendid services rendered to the Empire by the Tata Iron and Steel Co., Ld., and recognised in handsome terms by Lord Chelmsford in the speech delivered at Jamshedpur in 1919 :—

"In the second place I wanted to come here to express my appreciation of the great work which has been done by the Tata Company during the past four years of this war. I can hardly imagine what we should have done during these four years if the Tata Company had not been able to give us steel rails, which have been provided for us not only for Mesopotamia, but for Egypt, Palestine and East Africa. And I have come to express my thanks to the Directorate of this Company for all that they have done and to Mr. Tutwiler, the General Manager of this Company, for the enthusiastic work which he brought to bear in this behalf during the past four years. (Applause). It is hard to imagine that 10 years ago this place was scrub and jungle and here we have now this place set up with all its foundries and its workshops and its population of forty to fifty thousand people."

23702. A representative of the Tata Iron and Steel Company is giving evidence before the Commission and in his written statement and appendices, he is giving figures to prove the necessity of a high import duty to protect that industry. I entirely support the proposals put forward by him. The two subsidiaries of the Steel Company with which I am connected are the agricultural Implements and Wire products. It may be urged that putting an import duty on steel and its raising its value in the country, will automatically raise the price of the ploughs and other agricultural implements, which are so necessary for the agricultural development of the country, and that in the interests of the agriculturists there should be no duty on steel and steel products. This argument is often used by the people who pose as the friends of the agriculturists. Whilst I am prepared to grant that a few importers of foreign agricultural implements and machinery may have genuine sympathy for the agriculturists and a sincere desire to improve their condition, the majority of importers care only to push the sales of these goods and make money thereby. The foreign manufacturer is a shrewd business man and he knows that if the steel ploughs and such other implements are once introduced in the country, they can in the future—owing to want of local competition—rule the market here. Having given up the use of the existing implements, the agriculturists will always be at the mercy of the foreign manufacturer not only for new implements but even for spare parts. We ought not to allow our agriculturists to be in a permanent bondage to the foreign manufacturer. Till the country can manufacture these implements and meet the demands of the agriculturists, the indigenous method of cultivation may well be continued. To enable such new subsidiaries of steel industries to meet foreign competition and the dumping of goods, it may be found necessary to put up a duty not only on steel, but even on the import of such articles as the subsidiaries are prepared to manufacture. As the representative of the Tata Iron and Steel Company has said all the raw materials are here, labour is being trained up, capital is available and technical advice can be obtained. There is therefore no reason why within a period of say 20 years the industry and its subsidiarie should not be in a position to face outside competition. As Mr. Modak is giving evidence on behalf of the Indian Steel Wire Products Coy., Ld., I need not repeat here the facts given by him.

23703. *Sugar.*—As regards sugar, one feels diffident of suggesting high import duties in the face of the majority report of the Sugar Committee and still stronger minute on the same subject by Mr. B. J. Padshah. The Committee were evidently influenced by high prices of sugar then ruling in the market here; and the high profits of some of the Sugar Companies during the war, have led Mr. Padshah to suggest an excise duty. The Committee have however realised that market conditions were abnormal when they made their inquiries and they have therefore wisely added that if the existing duty did not grant sufficient protection, the question of increasing the duty may be reconsidered. If sugar industry has to be established in this country on a sound basis, the general tax-payer or the consumer must make some sacrifice in the initial stages of this industry. Unless there is an appreciable margin between the prices of *gur* (jaggery) and sugar, it does not pay any one to incur the extra expenditure involved in the manufacture of sugar. The Sugar Committee have given their reasons in favour of a quantitative duty as compared to an *ad valorem* duty as it grants real protection when it is most needed. An *ad valorem* duty does not do so when the price of sugar is low while it unnecessarily adds to the burden of the consumer when the price is high, I would recommend the levy of say Rs. 60 per ton on the best white sugar. So long as the price of sugar is Rs. 400 the duty will work out to 15 per cent. when the price goes down to Rs. 350 the percentage will be about 17 and it will be 20 when the price goes down to Rs. 300 and 24 per cent. when the price goes down to Rs. 250 and when protection is much more necessary. While in principle, I am opposed to excise duty, I do not object to Government passing a legislative measure on the lines of Tea Cess Act or the Lac Cess Act to enable the manufacturers to levy a small duty on profits and utilize the same for research work and for training Indians in this industry, or for creating a fund as suggested by Mr. Padshah from which grants in aid may be given when the duty is removed and when the price falls below 350.

23704. It will be several years, in spite of all efforts, before India can produce sufficient white sugar to stop imports and till then these imports will have to go on. In other countries except India which have to import sugar, it is usual to arrange tariff in such a way that the country can get part of the profits on these sugar imports by allowing the sugar to come in a raw state to be refined at the importing ports. This refining industry is possible if there is a definite difference between the duty on raw sugar (15 D. S. and below) and white sugar (16 D. S. and above) as usually the difference between the importing price of raw and white sugar goes to the cost of refining and the difference between the duties on these two kinds of sugar is the profit of the refiner. I therefore suggest that the duty on white sugar (16 D. S. and above) should be Rs. 60 per ton and that on raw sugar (15 D. S. and below) should be Rs. 30 per ton.

23705. *Cement.* Three Cement Factories were in working order before war broke out. Since then one more has been put up and has begun to work while three more are being erected. All the preliminary work regarding two others have been undertaken and according to my knowledge it is likely that inquiries are being conducted about the possibilities of starting others. The huge profits made during the war by at least two of the then existing companies led other persons to take up this industry. Now that the war has come to an end and profits are going down, the prospects of the industry are not good enough to attract fresh capital nor will the existing companies be able to make large profits. The chief difficulty of the company with which I am connected is the heavy freight on coal and cement either by rail or sea. It pays us now to buy welsh coal in preference to Bengal coal due to the fact that through the distance between Calcutta and Porbander is at least half of what it is from England to Porbandar the freight is practically the same. Moreover, as cement from England and Belgium is carried as ballast it has to pay a lower rate of freight than other commodities and is carried at 15 shillings per ton from England to Bombay, whereas the Porbandar cement has to pay Rs. 183 from Porbandar to Bombay for a distance of about one-sixth the former. At the present market prices imported cement even with 11 per cent. duty can be and is being sold at the same rate as the Porbandar cement. A heavy duty is therefore necessary to protect this infant industry for a few years. Special railway rates should also be fixed for the

carriage of cement. While it will be difficult to prove dumping of Cement from foreign countries, there is a general belief that foreign cement is being sold at less than the actual cost. When the exchange of all countries is steadier and when the India companies are able to build up a large reserve fund, high protective duties will not be necessary.

23706. *Glass Industry.* Glass industry has not made good progress on account of (1) want of technical knowledge (2) Railway freight on raw materials and (3) want of support from the varoius Government departments including Rail ways that use glass-wares. During the war a spurt had been given to this industry as there were no foreign imports. Now that foreign goods are coming in this infant industry will die unless it gets protection through the imposition of Import duties.

23707. On behalf of the Scindia Steam Navigation Company Mr. Walchand is giving evidence regarding ship-building industry. I am entirely in accord with the general lines laid down in his written statement and hence will not repeat here, the arguments used by him therein. I may add however that I strongly feel that till this country has its own mercantile marine, it will not be able to compete with foreign countries on equal terms.

Oral evidence, Delhi, the 27th March 1922.

23708 *President.* Q. Are you an elected member of the Council of State?

A. Yes, Sir.

23709. Q. You are interested in several industries.

A. Yes, Sir.

23710. Q. In starting your written statement you say, the main goal of Government is not only to preserve law and order, but to improve the physical, intellectual, social, economical and moral conditions of the people of the country. Do you think that the British Government does not discharge its duties in all these directions?

A. I won't say it discharges its duties in all these directions. It does not look to the economical condition as it ought to, nor to the social condition. As regards the intellectual side we have differences of opinion. There are people who think that the Government has not improved things sufficiently. But as far as the economical and social conditions are concerned, I think I can justly say that they have not. There is an implication and the implication is meant.

23711. Q. You say the statement is intentional?

A. Yes.

23712. Q. In the second paragraph you say all self-governing countries have always tried to be as far self-contained as possible, so that they may not have to depend upon any other countries for their requirements.' By implication it follows that because India is not a self-governing country, therefore it has not made any efforts in this direction.

A. Yes.

23713. Q. Do you think that it is to the economic advantage of a country to be self-contained as far as possible?

A. Yes.

23714. Q. That it has not been possible for India to reach that stage, do you attribute it to the free trade principles?

A. I won't say free trade. *Laissez fair* policy is no policy.

23715. Q. That is of course what you mean when you say 'while self-Governing countries are free to adopt any policy that suits them, dependencies are obliged to carry out the behests of the governing nations.' That is, I suppose you refer to..... .....

A. I refer to India; but it is also true as a general proposition. Here I refer to India and England.

23716. Q. You think that the policy that has been imposed upon India has not been to its advantage.

A. Yes.

23717. Q. You also say, 'not only were high protective duties put by England on Indian imports but insidious attempts were ordered to be made in the country to divert skilled artisans from their industrial pursuits' you quote this from Romesh Chandra Dutt. Have you got any personal knowledge?

A. Romesh Chandra Dutt does not say that on his own account. He has also quoted from English authorities?

23718. Q. Have you got any personal knowledge?

A. I have not any except that what I have read in books.

23719. Q. You then go on to say. "At the same time, facilities were being given by the manipulation of Railway rates, etc., to bring manufactured British goods at the door of the consumer at as low a cost as possible." Do you mean to say that the Railway policy was deliberately manipulated for the purpose of helping the import trade from England?

A. Yes.

23720. Q. Can you give us any data to support that?

A. In the first place the freight from ports to Inland places has always been less than that for small distances from industrial centres to consuming stations.

23721. Q. You know that railway authorities contend that they are working on a commercial basis and that it pays them to carry full loads over longer distances.

A. That argument is often used. But it may be smashed. Moreover in the interests of the country we want nationalisation of railways. When we have it, we expect to help local industries rather than foreign importers.

23722. Q. You say that 'England has not been consistently a free trading country. Her Governments have changed their policy from time to time—from protection to free trade and then again to part protection and Imperial Preference according to the industrial needs of the country as they varied from time to time. India under the British rule has had neither a fiscal policy of her own, nor have the Government of India adopted, any well-thought out and constructive measure for the development of the country.' Your point is that because England is free to adopt a fiscal policy which best suits her she has been able to do so. Whereas India not being in a similar position has been unable to adopt a policy which in your opinion is in the best economic interest of the country?

A. Yes Sir.

23723. Q. Your idea is that the Government should help in the work of preliminary investigation regarding the establishment and development of key industries?

A. Yes.

23724. Q. In which you include iron and steel?

A. Yes.

23725. Q. You have suggested six measures of helping in this direction.

A. Yes.

23726. Q. 'The provision of technological institutes and Technical schools.' Surely Government is trying to start these institutes.

A. It is only now, rather late.

23727. Q. Extending the scope and improving the present system of primary eductation so that unskilled labour may be trained for skilled work.'

A. This too the Government has taken up only recently.

23728. Q. By providing railway facilities for the carriage of raw material and finished products.' By railway facilities you mean suitable railway rates?

A. Yes.

23729. Q. 'By providing her with a mercantile marine of her own, by the opening of Museum and holding of exhibitions to bring the manufacturers into direct touch with the consumer and by the starting of consumers.' Co-operative Societies all over the country to do away as far as possible with the profiteering carried on by middle men. Do you recognise that all these would involve a lot of expenditure? Are you prepared to incur all the necessary expenditure from the State revenues in order to give effect to the policy you advocate?

A. I don't think it will require very heavy expenditure.

23730. Q. Surely, primary education will require a lot of money.

A. My main contention is that if money is spent on a well-thought out policy, that money can be considered as very well invested. I do not think that money will be wasted or ill spent. I would look upon it as an investment.

23731. Q. Quite true. But whether it is an investment or not, the expenditure has got to be incurred and you may not be prepared to provide the money to carry out the policy which you advocate.

A. If the Government gives us free hand to reduce other expenditure—there are certain items of expenditure.

23732. Q. I am afraid we are not to go into that question here. The question is whether you are prepared to meet the expenditure necessary for carrying out the measures you suggest?

A. Yes.

23733. Q. You think it will be reproductive?

A. Yes.

23734. Q. With reference to your answer to Question No. 18 your view, I take it, is that on no terms would you allow the representatives of foreign countries or of the British Dominions to come and establish their industries in India.

A. At least not now. If the dominions give us good treatment, we may then consider the question.

23735. *Q.* As regards the British people, you would allow them to establish industries within India and give them the help of the tariff wall that is imposed?

A. Yes.

23736. *Q.* But on the distinct condition that a majority of the share capital is held by Indians and half the number of directors are Indians. If it is not possible to give effect to these suggestions, you would not let them in?

A. No.

23737. *Q.* You would be prepared to accept the retarding of industrial development by their help rather than take that help on the terms that they may like to offer?

A. I won't like them to dictate terms.

23738. *Q.* You would then be prepared to take the consequences?

A. I am not pessimistic. I am hopeful.

23739. *Q.* Do you wish in any way to modify the views expressed in regard to protection for sugar industry in view of the fact that budget which you have recently passed imposes 25 per cent. *ad valorem* duty on imported sugar?

A. If I remember right, the import duty on sugar is levied on the prices of the preceding year. When a duty is levied, I would like it to be on the quantitative basis.

23740. *Q.* I am taking the two issues separately. The first issue is that you are asking for an increased duty on sugar. Woud that point be satisfied with the increase that has already been sanctioned?

A. I am quite satisfied with the 25 per cent.

23741. *Q.* You don't want that to be *ad valorem*?

A. Yes, because an *ad valorem* duty does not give real protection when the price of sugar is low while it unnecessarily adds to the burden of the consumer when the price is high. However, now that the Government have raised the duty to 25 per cent. I do not press the matter. My statement was written before the sugar duty was raised to 25 per cent.

23742. *Sir Manekjee Dadabhoy.*—Your statement was written on the 6th March.

A. That was written months back. I only signed the copy later.

23743. *President.*—*Q.* In regard to the cement industry you point out the difficulties of cost of transport both by sea and rail. You say 'It pays us now to buy welsh coal in preference to Bengal coal due to the fact that though the distance between Calcutta and Porbandar is at least half of what it is from England to Porbandar the freight is practically the same.' How do you account for this?

A. There is competition between the English companies here there is no sufficient competition in coal traffic between Calcutta and Bombay or rather between Calcutta and Porbandar.

23744. *Q.* You say the freight is 15 shilling per ton from England to Bombay whereas Porbandar cement has to pay 18¼ rupees from Porbandar to Bombay. That is to say, cement carried six thousand miles by sea costs about Rs. 11 or Rs. 12 while cement carried within India over a short distance costs more. How do you account for it?

A. There is only one steamship company working here. This has practically a monopoly.

23745. *Q.* There is competition between England and India and therefore they quote competition rates, whereas here there is a monopoly and so they charge higher freight?

A. Yes.

23746. *Q.* What is your remedy?

A. We must have our own mercantile marine. A resolution to that effect was moved in both the Houses and Government is going to appoint a Committee. We want a mercantile marine started, if necessary, with some subsidies from Government and with legal assistance. If this is done I hope within a few years a large number of Indian companies will be started and that natural competition will keep down the freight.

23747. *Q.* Then with regard to special railway rates you say that they should also be fixed for the carriage of raw materials. What do you mean by it?

A. They were giving special rates in the beginning, but they do not give now.

23748. *Q.* What special rates and in what case?

A. Special rates for the carriage of cement from Porbander to Bombay and for the carriage of coal from Calcutta to Porbunder. But during the war there was difficulty in providing wagons, and therefore they have reduced the rates. The special facilities that they gave before have now been withdrawn.

23749. *Q.* They were given before?

A. Yes. Now they have been withdrawn.

23750. *Q.* You want a renewal of those facilities?

A. Yes.

23750. *Q.* As regards the glass industry do you think that the advantages to the consumer in India are of sufficient importance to justify the establishment of an Industry which in course of time will be able to stand foreign competition?

A. I should think so. We want technical advice. A few men were trained in the United Province but they were not the right type of men. What is required is production on a large scale of what is called sheet glass and glass metal which could be sent to the consuming centres turning out the glass articles required. That problem has been worked out in a special monograph by Mr. for the Bengal Government. If the Commission desire they may get a copy of it from the Bengal Government and see how the whole scheme has been worked out, and how India can start the Industry.

23752. *Q.* I want your opinion whether, having regard to the experience you have had in the matter, you think it is possible by supporting the industry for a few years to make it stand on its legs without support in free competition with foreign imports.

A. Yes.

23753. *Q.* As regards the Scindia Steam Navigation Company you say that Mr. Walchand has given evidence regarding the ship building industry and that you are in accord with the general lines laid down in his written statement. I believe what you really mean is that you are strongly in favour of establishing a mercantile marine in the economic interests of India.

A. Yes.

23754. *Q.* You would, by subsidies and other means, provide for the establishment of a mercantile marine in spite of the fact that it would cost the taxpayers rather considerable sums of money.

A. I won't say considerable sums of money. Mr. Walchand has prepared a scheme. Much will depend upon the meaning of the word "considerable."

23755. *Q.* What I want to ask is this. Do you regard the establishment of a mercantile marine of sufficient economic advantage to India in the long run to justify even a considerable outlay of capital in the initial stages?

A. Yes. I will go a step further, and say that it is absolutely necessary for the country.

23756. *Q.* At whatever cost?

A. Yes.

23757. *Sir Manekjee Dadabhoy*—*Q.* I understand from your note that you want a radical change in the economic policy of the Government of India?

A. Yes.

23758. *Q.* In order to effect that you want the people of this country to be trained up by economic and scientific education?

A. Yes, technical and scientific education.

23759. *Q.* That of course will involve large sums of money?

A. Yes.

23760. *Q.* Do you think that the country will be prepared to stand the expense?

A. Yes, I think so. Metallurgical institutions have been started in Jamshedpur, and the country has been prepared for it.

23761. *Q.* You are in favour of a policy of protection, but you make a qualification that the condition of the industry for the time being should be looked into.

A. Yes. We should make a careful study of the conditions.

23762. *Q.* Protection should only be extended to those industries which are justified by the present conditions?

A. Not only existing industries, but also new industries. I want to make it clear.

23763. *Q.* You have expressed yourself very strongly against foreign capital?

A. I do not object to foreign capital if it comes under my management. I do not want the foreigners to manage the whole show.

23764. *Q.* You say that on no account should mining concessions be given to foreigners. Suppose that the Indians were not enterprising enough to take up a mineral concession, would you rather allow India to remain unexplored than allow it to be explored by foreigners? Would you carry your doctrine to that extent?

A. I would not like it to be exploited by the foreigners.

23765. *Q.* Let me have your definite opinion. I want to know whether you would under those circumstances rather allow your natural resources to remain undeveloped in the country than allow the country to be developed by foreign capital?

A. I would wait till the time when the country produces men who are capable of carrying on that work. To a Hindu

who believes in Infinity a few years do not count for much. I would like that my country should be explored by my own countrymen.

23766. *Q.* You know that Indian capital is very shy?

A. That statement is also one of those myths that have to be exploded.

23767. *Q.* You think that foreign capital has done no good to this country?

A. In the economy or Providence there is no evil without some compensating good. I cannot say that it has done no good. It would be as bad to say that it has done all evil. I would not be justified in saying that either.

23768. *Q.* Do you think that India would have been industrially just as it is at present without foreign capital, and that the present condition would have been what it is to-day without foreign capital?

A. It is an academic question, if I may be permitted to say so. But I do not mind if it were a little less industrial than what it is. I do not think we have really advanced a great deal. I think we have not.

23769. *Q.* Do you think that foreign capital has not supplied avenues of employment and wages in this country?

A. What kind of wages, if I may put a counter question? I do not agree that the wages for labourers have been supplied.

23770. *Q.* You would allow the present state of things to continue?

A. It won't continue. Why should it continue, if people take real interest in the country? Why that pessimistic view?

23771. *Q.* Excepting the mill industry of India, have you any idea of what proportion of foreign capital is sunk in industries?

A. I can refer to the Tata Iron and Steel Company, Sir. It has a big capital behind it of about 18 crores. It is Indian capital. Is it not quite sufficient to prove that capital will come? Where people are confident that the money will give a good return they do come forward with their money. May I also refer to three big companies that have been started with a capital of a crore each?

23772. *Q.* Do you think that under the terms you propose, namely that at least 51 per cent. of the capital should be Indian, and that there should be a divided board, foreign capital will be attracted to this country?

A. As soon as the British capitalists see that they cannot come in under other conditions they will come under the proposed conditions. I have very great hopes in the commonsense of the Britisher.

23773. *Q.* What is your opinion? Do you think that the present political condition of the country will retard in any way the advent of foreign capital?

A. As I said Sir in reply to Question No. 18 I do not think that for some time to come British capitalists will start industries in this country to take advantage of the protective duties. I will give you one specific instance without mentioning names. An English firm that has floated two companies with a capital of 10 and 20 lakhs has made great progress in putting up machinery and buildings. It is now prepared to pass off the agency to any good Indian firm of standing, and retire out of this business because they say that their principals are not prepared to find the working capital. The capital for the factory is ready; the factories are being put up and they will be ready in a short time. But because their principals are not prepared to find the working capital they say they are prepared to pass on the agency to any good Indian firm. That is not an isolated instance. I have had two or three similar instances. This offer was made to me, and so I can say this with definite assurance.

23774. *Q.* Yet you want in your written statement protection for the Tata Iron and Steel industry. How do you reconcile this with your statement? You say that you want Indian industries, that there is abundance of Indian capital and that you can raise money in this country and that you can get whatever is required for industrial enterprise?

A. You can get money, but that does not mean that you can manufacture at a lower cost than say America or Germany and Belgium. Germany and Belgium are dumping steel goods at a much lower rate than we can manufacture them. We need protection till our factories are in full working order. If I am allowed I will go into details.

23775. *President.*—Certainly. Please give us all the information that you have?

A. I will take up the case of the Tata Iron and Steel Company. Three years back the Company decided to go in for greater extensions. The money was found, the orders were placed, and some machinery did come here and has been put up. Then they found that the B. N. Railway was not in a position to give them sufficient wagons and locomotives to carry the raw material from the mines to the factories or to carry the coal from the mines to the factories. As a result of this the work had to be stopped for two years. We are losing the interest on the money invested and money has been paid to America. The work ought to have been begun last March, but because we cannot get the raw material and coal we have not been able to put in duplex furnaces. We cannot get the required amount of steel. The men who had come out had to be sent back. Here I should make it clear that I do not blame the Government, because the war had come in the way. But if Government had at that time somehow or other found money for laying in double rails over some portion and gone in for more wagons, then we would have been able to manufacture plates and perhaps put up a shipbuilding industry.

23776 *Q.* You want transport facilities?

A. Other countries are dumping goods here while our capital is lying idle for the past 5 or 6 years. If we are in a position to put our house in working order and if Government supply all the wagons that we require then we will want protection for a short time.

23777. *Q.* For two or three years you want protection?

A. It may be two or three years or less or more. It is for a limited period.

23778. *Q.* In what form?

A. In the form of import duty.

23779. *Q.* You know that the import duty has been increased to 10 per cent. What more do you want then? I think Mr. Peterson has said that a 25 per cent. protection is required and I agree with him.

23780. *President.*—I think he wanted protection partly by duty and partly by subsidy?

A. Yes.

23781. *Sir Maneckjee Dadabhoy.*—As regards sugar, I understand that you withdraw your demand for a duty of Rs. 60 a ton on the best quality?

A. My duty is much lower than what Government would impose.

23782. *Q.* But you are aware that the Sugar Committee in their report has stated that they were not in favour of increasing the import duty. Don't you think that that would increase the price of *gur* also?

A. I don't think so.

23783. *Q.* Won't the price be increased?

A. No. It has very often happened that *gur* has sold at higher prices than imported sugar during the war. The difference between the price of *gur* and sugar does not depend upon the price of the imported sugar.

23784. *Q.* Do you think that a 25 per cent. duty will have the effect of establishing a sugar manufacturing industry?

A. I am quite confident of it.

23785. *Q.* What short of relief do you want in the matter of coal? Do you want more wagons and easier transport charges?

A. The transport charges should be reduced for coal for this distance. Special concessions should be given for long leads.

23786. *Mr. Jamnadas Dwarkadas.*—*Q.* You have placed before the Commission, if I may say so, a very interesting statement?

A. I am sorry, sir, if I am supposed to have inflicted disquisition on politics and economics in the beginning, but I had to do so to make my position clear.

23787. *Q.* I think what you really meant by this introduction was that you wanted to emphasise the need of India framing her own fiscal policy?

A. What I want to say is that nobody has cared to think of it.

23788. *Q.* I want to ask you one question. It has arisen because of recent events that have taken place both here and in England. You are a man of worldwide experience. You have been in business for many years and have been connected with all industries in India. From your experience both as a public man and as a commercial man don't you insist on India's right to dictate her own fiscal policy?

A. Last year I moved a resolution which was turned down. This year also I moved one but it was again turned down.

23789. *Q.* I want to put a few questions with regard to foreign firms. You insist that foreign firms other than British firms should not be given any right to establish industries and so far as British firms are concerned, you want to insist that 51 per cent. of the capital should be Indian.

A. I want to make it clear that I include the Dominions also in the term foreign.

23790. *Q.* You would only give an exclusive treatment to the United Kingdom. You say that for the present the capitalists in the United Kingdom will not be attracted here,

A. That was my information a few months back. We do not know what the political situation will be now that things have happened to which I need not refer here. That may change the general aspect.

23791. *Q.* You are in favour of protection?

A. Yes.

23792. *Q.* If you have a policy of protection necessarily, as all economists admit, it will mean some sacrifice for the consumers?

A. No doubt.

23793. *Q.* Your object in doing so is to establish industries in this country. If it were possible for foreign firms to establish industries as a result of a protective policy that we adopt so as ultimately to give the advantage of it to the consumer don't you think that you are acting against the interests of the consumer by having a protective policy and yet preventing foreign firms from establishing industries, which in your own words would not otherwise flourish.

A. Perhaps I have not made myself clear. I tried to do so in reply to Sir Manakjee Dadabhoy. For the present perhaps British capital may not come in, but I have hope in the commonsense of the Britisher. He knows that he can come in on certain conditions only. There is a good feeling of friendliness between Indian capital and English capital. We want to work together for the interests of the country and to make money also. They will join hands with the Indians and work together.

23794. *Q.* That is, you would welcome the establishment of these companies?

A. On my terms, yes and I think we will get money on these terms.

23795. *Q.* If you are confident of getting your terms do you want it to be placed on record in the recommendations of the Fiscal Commission that you insist on these terms?

A. I have put down a minimum of 51 per cent. Indian capital. Some people would go up to 75 per cent. I believe that a company should be an Indian company with rupee capital, with full facilities for Indian investors to come in.

23796. *Q.* With regard to your suggestion about quantitative duties instead of *ad valorem* for sugar, would you prefer quantitative duties with regard to all imported articles or only with regard to sugar?

A. In case of sugar there were fluctuations owing to the war.

23797. *Q.* In other cases, you would have *ad valorem* duties?

A. Yes. An *ad valorem* duty is much easier.

23798. *Q.* I have only one more question with regard to cement. You have some experience of the cement industry?

A. Yes.

23799. *Q.* You also want protection for the cement industry in India?

A. Yes, for some time.

23800. *Q.* You know that before the war we had practically no cement industry in this country?

A. Just before the war there were 3 cement companies started, but they made money owing to the war.

23801. *Q.* What is the present situation?

A. Not very good.

23802. *Q.* You have a number of factories which are likely to produce cement more than your own requirements.

A. Before the war the total imports were 179,000 tons. Next year, in 1923, when the new factories in course of construction are completed, the total quantity produced would be 700,000, tons.

23803. *Q.* Therefore you want protection for the cement industry?

A. Undoubtedly. We do not want Belgium and Japan to dump it on us. British cement is not a competitor to any very great extent.

23804. *Mr. Mant.* *Q.* You recommend protection, and I think you call it a discriminating protection.

A. That word has been newly coined. I do not mind calling myself a discriminator.

23805. *Q.* You recognise that protection will not do everything.

A. I have made it quite clear in my statement.

23806. *Q.* You realise that a good deal of effort in other directions will be required?

A. Yes.

23807. *Q.* You say that the primary object of imposing customs duties will be to obtain revenue for Government. I take it that you mean that as it is essential for Government to obtain a considerable amount of revenue through the customs duties you would merely manipulate these duties in a protective way where necessary.

A. Yes, if we can do it by mere manipulation. But if more is required than manipulation, I would go a step further also.

23808. *Q.* You want a permanent Board to examine these cases?

A. I belive it is necessary.

23809. *Q.* What sort of a Board do you contemplate?

A. On the Board I would have technical men, business men and economists.

23810. *Q.* You will want rather a large Board?

A. I do not know. I would not say that each industry should be represented. But there would be two men who are in touch with technical affairs and can pick up knowledge of other things also. In the same way there should be two men to represent business, two men to represent pure economics. It has very often been said that capitalists do not look after the interests of the consumers and the importers always bring in the consumers to support their theories. To help the consumers I would like to have one representative of the consumers. I do not want the consumers to pay more than what it is absolutely necessary for the purpose. I do not want the consumers to be exploited.

23811. *Q.* In England under the Safeguarding of Industries Act they appoint a large panel of between 30 and 40 men who are prepared to serve as jurors and when any particular industry has to be investigated they appoint a jury of 5 of these selected from the panel; and they take evidence and deal with the particular industry and report to the Board of Trade. That obviates having a very large standing Board. I want to ask you whether something on these lines would be suitable in India.

A. What I would have is this: I would have in the provinces a panel of the kind you suggest, but in the Central Government I would like to have five or six men to be permanently appointed. You may call the provincial panels advisory bodies or panels.

23812. *Q.* I come to your answer to questions Nos. 35—42 on the subject of Imperial Preference. I gather that your general view is that you are opposed to any Imperial Preference on political or sentimental grounds?

A. I have stated that I would leave it to politicians to decide. I was considering it from the purely economic point of view. If you want my opinion from the political point of view I am prepared to give you my opinion, because I am supposed to be a politician also as a member of the Council of State.

23813. *Q.* I do not want you to give it. I only wanted to elucidate your statement. Let us leave aside the political aspect. Let us pursue the economic side. You would not object to giving preference to any country if there is reciprocity?

A. I would not.

23814. *Q.* I think you mean by that' if it is of advantage to India'?

A. Yes.

23815. *Q.* Well, I have heard it suggested that in the case of cotton it might be of advantage to India to give preference to Great Britain at any rate, because one of her most dangerous competitors is Japan. Do you think in that case a preference would be advisable?

A. What would India get in return from England? If India would get some benefit then I will have no objection. Mr. Seshagiri Iyer said that we ought to look after the interests of the consumers. If England sends her expensive goods and Japan sends her cheaper goods, the cheaper goods may in the long run prove expensive, but the poor people of India may want to go in for cheaper goods. In such a case I would not like to tax the cheaper goods merely to find markets for British goods. I want the consumers' interests to be taken into consideration by that Board which you are going to appoint at the time of considering the method of preference.

23816. *Q.* Are you interested in the cotton industry?

A. I cannot say I am, except as a shareholder in some companies. I am not a mill manager or a mill owner.

23817. *Q.* But you are aware that Indian cotton manufacturers are afraid of Japanese competition?

A. Yes, they are.

23818. *Q.* That is why I asked you whether that would be a suitable method of meeting Japanese competition.

A. If we build up a higher wall of taxation against Japan it will not be with a view to help Great Britain, but to keep out Japan. My idea is not to help England, but to keep out Japan.

23819. *Q.* Would you do it in the form of Imperial Preference which would avoid rather troublesome political questions arising out of differentiation against one particular country?

A. If India is going to have full Dominion status later on, we are a member of the League of Nations and I think we will be able to bring other nations to terms.

23820. *Q.* So, would you postpone this question for the present ?

A. We are working at it : it is a question of time when we will get Dominion status.

23821. *Q.* But the question I asked you was whether that would be a suitable method of protecting the Indian cotton industry ?

A. We will carry on negotiations with Japan and come to some terms by which they would not dump their goods on us or we would put up a wall against them.

23822. *Q.* Against them specially ?

A. Yes, in the first instance. That is what Mr. Chamberlain suggested at the time when the question of Imperial Preference was raised. Raise a higher wall against others.

23823. Q. Would that be suitable ?

A. Yes, I would do it.

23824. Q. Dealing with particular industries, I want to ask you about the agricultural implements. I understand that you do not want to allow the Indian agriculturist to get better implements until they could be manufactured in this country ?

A. I have come to that conclusion after careful consideration. It may be I am rather a pessimist, but it occurs to me that if foreign manufactured implements are used by our agriculturists more and more so that the village industries die out.

23825. *Q.* What industries ?

A. The village industries—the making of ploughs, etc.

23826. *Q.* You mean country implements ?

A. Yes. If the country implements are not used the village industries will die out. Supposing then that owing to a war or other reasons we are not able to import the foreign agricultural implements where are we ? We are frightened at the prospect. I shall explain how this idea came to my mind. During the war we did not get British medicines. The use of Indian drugs had died out. I am not talking of the merits of the Unani or the Ayurvedic system—the manufacture of tinctures and tabloids had not been taken up in India—thanks to the British Navy we were able to get if not the whole of our requirements, but at least a part of our requirements, but if the supply had been stopped what would our doctors with their degrees have been able to do ? The country would have been practically ruined owing to the want of medicines. That led me to think that it is much better to go on with our indigenous methods for a few years instead of being at the mercy of foreign imports. I hope I have explained to you how my mind worked it out.

23827. *Q.* I know you take an interest in the progress of agriculture.

A. It pained me to write like that. I would like to go in for agricultural improvements as much as possible but there is the danger that sometimes we may be handicapped. That is why we want the assistance of Government to start as many factories as possible for manufacturing agricultural implements. One company is being started at Jamshedpur and another smaller factory is being started at Karleskar and several others might spring up. If you give protection to this industry we can bring our experts and we can manufacture the same kind of implements as we get from America. I do not want that we should be entirely at the mercy of the foreign manufacturers.

23828. *Q.* But how soon do you take it you will be in a position to manufacture all the agricultural implements ?

A. I am getting old and I cannot say definitely that it will come in my time. If on the report of this Commission Government makes a real move in all directions,—not only by imposing protective duties, but by moving in all the other directions I have suggested,—I believe within a few years we will be able to put up a sufficient number of factories to manufacture agricultural implements to supply the needs of the whole country. I have still hopes in my countrymen.

23829. *Q.* Meanwhile you would retard agriculture ?

A. Is it retarding, Sir ? You know much more about agriculture than I do. Is the indigenous system so bad as it is supposed to be ? We have had our tractors. One company in which I am interested were using these tractors, but these tractors broke down and the company had to go to the old system. They were not German tractors, they were English tractors.

23830. *Q.* I have heard of motorcars breaking down but people do not go back to bullock carts because an occasional car breaks down ?

A. I am only saying that we are not so bad as we are supposed to be. You have only to refer to the report that was made by that eminent agriculturist who said that the pattadars could take their place with the best agriculturists in the world. That was years ago when the old indigenous system was in practice.

23831. *Q.* I think it is generally admitted that there is considerable room for improvement.

A. I will be the last man to deny that. As I have explained this analogy of the British medicines has worked in my mind and on that ground I would rather like the progress to be slower.

23832. *Q.* There is only one other question, and that is in regard to the sugar duty. You suggest a specific duty on raw sugar at half the rate of the duty on refined sugar. Can you tell me roughly how the values compare ?

A. I will send them on to you. I have worked out the duty in such a way as to make it profitable to refine the sugar here.

23833. *Q.* I wanted to get an idea roughly how those two duties would compare on an *ad valorem* basis.

A. I have worked out the figures, but I have not got them here. At present raw sugar is coming only in very small quantities I want their imports to be increased.

23834. *Q.* But the duty you propose on raw sugar would be considerably lower *ad valorem* ?

A. It would be.

23835. *Mr. Sesagiri Ayyar.*—*Q.* On this question of Imperial Preference you spoke of the advantage to the consumer. You said you represented the views of the consumers and that it is not desirable that there should be Imperial Preference having regard to their interests. Now, there are several other interests also at stake. For example, I think you know that 70 per cent. of our imports are from the United Kingdom and about 30 per cent. we get from other countries. If you give preference to the United Kingdom the Government will lose a great deal of its revenue. Won't it ?

A. Yes.

23836. *Q.* That is one of the drawbacks of giving Imperial Preference. Another danger is that other countries might retaliate against us. Therefore, there is the interest of the consumer, the interests of revenue and the possibility of retaliation. All these tend to make you resist against the temptation of giving preference ?

A. On this point, a committee was appointed by Lord Curzon to go into this matter. That Commitee has made a report and I am in agreement with the views expressed in that report.

23837. *Q.* Now, upon this question of the constitution of the Board to take charge of the revision of the tariff you know that numerically the consumers are larger than the technical experts, the commercial men and the business men.

A. May I make it clear, Sir ? The consumer should be represented by two members. The producer has no representative as such. The technical man is not a representative of the producer ; the business man is not a representative of the producer, and the economist is not a representative of the producer. The economist, if anything, will represent the consumer. I do not want the producer to be represented.

23838. *Q.* Now, upon this question of foreign capitalists, a number of questions were put to you both by Sir Manekjee Dadabhoy and Mr. Jamnadas. I take it that when you advocated that 51 per cent. of the capital should be Indian you had in mind that by the association of Indians with Europeans a great deal of technical skill and business habits would be acquired by Indians, whereas if the capital is entirely in the hands of the Europeans no opportunity will be given to Indians in this country to acquire that experience.

A. That is one consideration.

23839. *Q.* Another consideration is that you do not want the whole of the profits derived from the concerns to be taken away from this country ?

A. That is the money point of view. The most important point is that I want Indians to be trained as managers and technical experts. I want to differentiate between the men who come as directors and the men who manage the mills and run them. I am sure that as directors we will be able to hold our own against any Europeans. As business men we are in no way backward. I have in mind the actual management of the factories. If you have a number of Indian directors Indians will be put in positions of trust and responsibility.

23840. *Q.* If the Europeans monopolise the directorate that chance of training Indians would be lost ?

A. Unfortunately it is so, Sir.

23841. *Q.* In your very first answer you say : "Under the orders of the Board of Control of the East India Company, active measures were adopted by the Government there to crush out of existence indigenous industries in the country." Does that apply to Indian States as well ?

A. I was present here when the Dewan of Baroda gave evidence. I want to ask your permission to be allowed to say certain things about industries in Indian States.

23842. *The President* : Yes, certainly you can.

Witness: I will take up first Sir Edgar Holberton's question about the starting of industries. The Dewan said that his State had not started any industry. In that connection I want to bring to your notice what the Mysore State has done. The Mysore State is starting a big iron and steel factory on their own account as a State concern. So, the Indian States are not merely helping private capitalists but are doing work on their own account. Then they have put up a soap factory—a very good soap factory—and now that it is a success they have given it to private capitalists who have formed a company. Both Baroda and Mysore had started cotton mills. In the beginning owing to some reason or other—either bad management or competition in early days—they failed and they were transferred to private companies and they were made successful after the transfer. Thus, Indian States have been doing that kind of work. I think Sir Edgar Holberton would like to get this sort of information. Then industries in Indian States have been crushed out of existence. Dewan mentioned the case of sugar. He referred to the chocolate factory, but he did not say much about it. That is a factory for the manufacture of glycerine. The Dewan was under the impression that it was put up during the war. It was put up before the war. In the pre-war time it did not succeed, but during the war it was able to pay its way. But it is again in difficulties because prices have gone down.

23843. *Q.* Can you giye information to this Commission whether by protection in Indian States industries have been reared up to flourishing condition?

A. Take Baroda. They are giving protection in the shape of loans. They have made it almost a rule that one-third of the capital is given in debenture,—not only in loans but in debenture—for a number of years.

23844. *Q.* It is given by Government?

A. Yes. One specific case may interest members of the Commission. When the Dwarka Cement Factory was started by Sir Vithaldas the Baroda Government built a railway from Jamnagar to Dwarka at a cost of 40 lakhs, though that railway was not cosidered a paying proposition.

23845. *Q.* And that industry is now flourishing?

A. It has just begun but it is bound to flourish.

23846. *Q.* If the same example is followed, you think industries would be established in British India also?

A. Yes.

23847. *Q.* I am never supposed to be happy unless I put a question about the handloom industry. You say in paragraph 16 of your statement: "I want hand industries to be maintained and helped through the Co-operatve movement by starting Weavers' Societies, etc." Is that the only help you will give?

A. That is what I know. I have been trying my best to start Weavers Societies. In this case, I am thinking of the handloom industry in my part of the country where weavers are mostly poor Mussalmans. They cannot get yarn cheap enough from the market. There the sowcar is the lender of the money with which the weaver has to purchase the yarn, the seller of the yarn and the purchaser of the woven goods.

23848. *President.*—*Q.* He makes money all round?

A. Yes. When I suggested Weavers' Societies I thought that was the only way that we could help them. I would have Consumers' Societies also. These societies should be credit societies as well as consumers' societies. They should help the weaver with credit to buy yarn. I have tried my best to give some assistance that way to some societies in Bombay.

23849. *Mr. Seshagiri Ayyar.*—*Q.* Would not putting a duty on yarn which is imported from outside have a tendency to handicap the handloom industry?

A. Academically it would have that tendency, but practically I am told it would not very much affect the handloom industry.

23850. *Q.* If you have not yourself looked into the matter I would not ask you any question on that.

A. I have not looked into the question myself. I won't be able to give you figures.

23851. *Q.* You know that the excise duty had a very bad origin and history. It is very bad in every way. Now its origin might be like that. But would you not like to have a consumption tax against the power loom industry if it has an indirect effect of helping the handloom industry to hold its own to some extent against power loom concerns?

A. I would not like that. In the first instance, I would divide the hanloom industry into two classes. One class works with fine yarn and caters to the higher classes of people. With this the mill industry does not compete. The other class works with low counts, and this is the one that works in my part of the country, and this caters for the poorer classes of the people. With this also the mill industry does not compete. The mill industry comes between the low counts and the high counts. I do not think that if you remove the excise duty it will crush out or hamper the handloom industry. If the hand industry suffers by competition of the power mills I would not put an excise duty on the power mill industry, but I would give some bounties to the hand industry. I would like to add one point with reference to the Indian States. The excise duty is being taken by the States under the orders of the Government of India. But it is not under any treaty obligations that they levy this excise duty. The Gonernment of India threatened them that if no excise duty was levied they would put a cordon round the State and charge duties on the goods that pass on. That is the fact. I do not know whether this has been brought out by the representatives of the States or not. It was not under any treaty that they agreed to levy the excise duty.

23852. *Mr. Coyajee.*—*Q.* I should like to get more light from you about this tariff board about which there has already been so much discussion. In the first place, would the function of the Tariff Board be only advisory?

A. Yes. It would advise Government and the Government ought to take action thereon.

23853. *Q.* Do you want it to be in touch with the permanent committee of the Legislative Assembly?

A. At present I do not want it to be in touch with the Indian Legislature.

23854. *Q.* To whom then would the Board report?

A. It may report to the Member for Commerce and Industry.

23855. *Q.* I put that question because in America the Tariff Board reports to a Special Committee of the Legislature on the subject; and it is the business of that Committee to make recommendations to the legislature.

A. Till we get responsible Government in the Central Government, we may leave it to the Member for Commerce and Industry.

23856. *Q.* Would you not also put on the Board representatives of the Agricultural Department?

A. Is not the agriculturist a consumer also? The consumer will include the agriculturists also.

23857. *Q.* Instead of excluding the producers, since their interests are certainly very important, would you not allow the Tariff Board to co-opt certain industrialists when problems affecting particular industries are considered?

A. They may co-opt but I fear they may exercise their influence which may have an unfair effect they may co-opt but they should have no right to vote in the Board.

23858. *Sir Edgar Holberton.*—*Q.* You say that all self-governing countries have always tried to be as far self-contained as possible. Can you support that rather extraordinary statement?

A. I am prepared to withdraw that statement if you can prove that this has not been done.

23859. *Q.* I am merely asking you what self-governing countries have tried to be self-contained.

A. So far as my knowledge goes Germany, France, Japan, Canada, and even England.

23860. *Q* England does not produce food?

A. I am not talking of food.

23861. *Q.* England has not tried to be self-contained in the matter of food.

A. They tried, during the war, to bring all the lands that were hunting grounds into cultivation.

23862. *Q* I do not think so.

A. I think everybody does know that grounds were cut and they were used for cultivation.

President.—Every effort was made to produce grains during the war.

23863. *Sir Edgar Holberton.*—*Q.* That was not a policy at all. You made a remark just now that Indian shipping was absolutely essential to India. Can you tell us why?

A. Because we do not want to depend upon foreign countries who may come and hit at our industries.

23864. *Q.* Can you specify those countries?

A. England and Japan.

23865. *Q.* Do they hit you?

A. I say 'they may.' I don't say they do.

23866. *Q.* What advantage would you gain by having these shipping companies Indian owned?

A. Because we know they will look greater to our interest, because there is a fellow feeling existing.

23867. *Q.* Can you get better freights?

A. We can get things done much better.

23868. Q. You think cheaper?

A. I am quite sure that Indian-managed company will be able to cater much more satisfactorily than even the most sympathetic English companies, by being more in touch with the requirements of the people.

23869. Q. I don't think anybody can be more in touch than the English companies.

A. There is no comparison at present.

23870. Q. What is the cause of your dissatisfaction of the present system?

A. I want to have my own companies.

23871. Q. Is it going to give you cheaper freights?

A. Why do we want to have our own mills? Why should we not remain agriculturists?

23872. Q. That is apart from the question. Can you tell me any reason ..... ?

A. For the same reason for which we want Indian mills, Indian iron and steel companies, Indian cement companies, I want an Indian navy. I want it to be self-contained.

23873. Q. You want it to be self-contained. You don't mind what it costs.

A. It won't cost much.

23874. Q. Do you think it will be profitable to the country?

A. The country will have to make a sacrifice in the beginning but in the long run, the country will gain. Besides, we want not merely to be carriers of our own manufactures and our own raw produce, but we want it for the sake of ship-building industry.

23875. Q. I am not talking of ship-building industry.

A. I have made it perfectly clear that we want them to be Indian owned.

23876. Q. I will give up pursuing this subject. Do you come from Bombay?

A. Yes.

23877. Q. You are a business man?

A. Yes.

28878. Q. You are a director of many companies?

A. I do not know whether I can say of many but I am a director of at least some.

23879. Q. Are you a director of cement companies?

A. Yes.

23880. Q. Of cotton companies?

A. Yes.

23881. Q. Of coal companies?

A. No.

23882. Q. Do you recommend your policy in the interests of your class?

A. No. My interests in the country make me think more of the poor than anybody else.

23883. Q. You are asking for these not in the interests of the commercial class?

A. Absolutely not. That is where the misunderstanding lies. It is believed by many that merely because we are industrialists we want to make more money. I assure you, Sir, that there is absolutely nothing of the kind. The interests of the consumer and of the poor are as much at our heart as they are in the hearts of the members of the Commission including the President.

23884. Q. You talk about railway rates. I understood you to say, I am sorry if I am wrong, at the present moment the schedule of rates was in favour of imports Is that not so?

A. Yes.

23885. Q. How?

A. I will give you an instance. The freight from Bombay to Delhi on matches was much less than from Ahmedabad where the match factory was situated to Delhi, even though the distance was 310 miles nearer.

23886. Q. That is perfectly true. Do you object to cheap freights on long leads?

A. I say it is manipulated to give advantage to imports. In framing railway rates the national interests must prevail. That is what I have always been saying.

Witness No. 147.

Copy of a letter, dated the 1st April 1922, from Brigadier General L. R. KENYON to H. G. HAIG, Esq., I.C.S., Secretary, Indian Fiscal Commission.

I received three days ago a letter of yours No. 1707, dated 18th March, addressed to the Secretary to the Government of India, Department of Commerce, asking about what industries essential for war purposes should be considered for protection and I see you want the answers for consideration at the beginning of April. I have therefore prepared my note on the subject rather hurriedly and I enclose three copies of it herewith, though no doubt the official copy will reach you through the proper channels in course of time.

2. The Commander-in-Chief is very anxious that the Ordnance Factories should develop and take up as much civilian work as they can do for anybody who likes to come to them with orders. I have dealt with this matter in the latter part of my minute. It may be perhaps a little bit outside what you intended in your letter but this doing of work in India in factories standing half idle with the staff half idle has a direct bearing on the economics of the country and I hope your Commission may be able to give us some sort of help to secure this work for the Ordnance Factories.

Note by Director General of Ordnance.

I only received Mr. Haig's letter of 18th March 1922 on 29th March and I see he must have early in April the information he asks for as to industries whose protection and development in India are of importance from the military point of view. My note below has therefore had to be written in haste.

23887. In the wider sense all industries are of importance from the military point of view, as an army consumes almost every article that the civil community uses but in different proportions. The Indian Munitions Board report of its activities up to 11th November 1918 show what it supplied to the Army during the last years of the war. From the larger military point of view it is important to develop in India goods which from their bulk or because they come from distant countries or from countries whose supplies may easily be cut off cannot readily and safely be counted upon by importation; these stores take up and therefore risk the largest tonnage of shipping.

I take it, however, that my remarks are mainly wanted on stores which are of special military importance for the manufacture in India of lethal stores.

23888. India's capacity for steel making, especially if new firms under development are considered, is sufficient for military purposes with the proviso that acid steel which must be used for guns and rifles (though not for shells) necessitates the importation of hæmatite pig iron and acid steel is at present only made in India in the Government steel plant in the Ordnance Factory (O. F.) at Ishapore.

23889. But gun forgings (except quite small ones) cannot be forged in India, because, there is no adequate press or forging plant. It is believed that the plant necessary to make these forgings would be just that wanted to make railway axles, and that railway axles are imported. This development of railway axle manufacture in India is important. Ordnance Factory in India can make the gun steel; forging plant should be made available and Ordnance Factory can do the machining and completion of the gun forgings (which are at present imported). The forging plant could be put up in Ordnance Factory but probably $\frac{1}{3}$ of its work would be on railway axles and $\frac{1}{3}$ on gun forgings in peace time. Therefore it would seem more appropriate that the plant should be put up in a railway workshop and that the Army should have a lien on it.

23890. Suitable copper for cartridge case and other military work is produced in India by the Cape

Copper Company in Singhbhum District. It is believed another copper producing company is considering opening operations there. Ordnance Factory offered to take about half the present output of the Cape Copper Company, but the Company officials in London (not those in India) wanted a higher price than we can import at (either from England or better Australia). Whilst we shall always be willing to buy in peace time the Indian copper produced by the Cape Copper Company if their price is reasonable, we assume that in war time Government would take powers under a Defence of the Realm Act to make such a company sell to it if desired. Protection by custom duties of copper seems uncalled for.

23891. The position as regards zinc (required for all cartridge metal) is more serious. Zinc sulphides exist in quantity in Burma, and could produce zinc and sulphur. Sulphur is essential for military purposes for making sulphuric acid which is wanted for making cordite (of course, sulphuric acid is wanted for many commercial manufactures). Government negotiated with a private firm two or three years ago to put up plant for smelting the Burma zinc ores in India but the Company wanted a subvention of £200,000 which Government was not prepared to give. Meanwhile the Burma zinc ores are, I believe, exported and smelted at Swansea. Perhaps an export tax on the ore might encourage the smelting of these ores in India. This smelting is undoubtedly of great importance for the security of manufacture of munitions of war in India, sulphur and zinc being both essentials.

23892. I do not know if the extraction of sulphur from Gypsum (Calcium Sulphate) is a practicable commercial proposition in India or not. I have already consulted the Department of Industries on the subject. There is plenty of Gypsum in India. Sulphur is at present imported from Italy or Japan so the position is bad.

23893. We already obtain lead and antimony and manganese and most of our ferro-manganese in India; tin from the Straits Settlements; so no fresh protection or nursing of these industries seems necessary.

23894. The reason that all the ferro-manganese is not obtained in India is not that the ore is inferior but that Indian coke is bad and introduce too much sulphur and phosphorus into the resultant ferro-manganese for certain classes of work. It is for this same reason that acid steel can only be made in India by importing hæmatite pig iron.

23895. If nickel ores are discovered in India (I believe they have not been) their smelting would be of great military importance. As it is they come from America.

23896. The production of ammonia is of great importance from the military—also from the fertilizer—point of view, as from it nitric acid (wanted for cordite manufacture) and ammonium nitrate (high explosive) are made. Synthetic ammonium can (I believe) only be made at reasonable cost if cheap electric power is available. Thus hydro-electric schemes in India are of great military importance. Our nitric acid at present is made from nitrate of soda which is imported from Chile *viâ* England (there is no direct importation from Chile). Ammonium Nitrate has to be imported.

23897. Refined glycerine is essential for cordite manufacture; at present we import it but there should be no difficulty in making it in India in conjunction with soap works and negotiations are in train (through Department of Industries) with one or two companies to that effect. I doubt if any protection is necessary for this.

23898. Mineral jelly (vaseline) has to be imported for cordite at present and any that we have so far got from Indian oil has proved unsatisfactory.

23899. Wire rope manufacture in India is important, as it is necessary for Artillery Harness. At present it is imported. This should be developed by a private firm in India, as Government requirements are not such as to justify Government undertaking manufacture; commercial consumption should be bigger.

23900. Malleable cast iron manufacture is important (none in India at present). It is used for a lot of buckles, rings, etc. (used in harness); also for many cheap trade articles (*e.g.*, trade guns, etc., now imported from America) which are too expensive if made in other ways. There should be plenty of openings for this business in India.

23901. Of course military requirements include such ordinary things as bolts, nuts, nails, screws, etc., but I have considered only things which are special for lethal munitions. Military harness and saddlery must be included in that category.

23902. Already and in the future still more so, rubber tires will be an important military requirement. As rubber is produced in the Malay States its manufacture in India is an obvious industry to promote.

23903. Lead sheets of large size are required for sulphuric acid chambers. At present these are imported; we have tried to get the Venesta Co. to undertake this in India; their London office has declined, and they confine themselves to making small sheets used for tea chests, etc. If chemical industries develop in India, the demand for lead sheets may increase.

23904. Chemical pottery manufacture should be practicable in India and Cordite Factory is trying the product of the Perfect Pottery Company at Jubbulpore; the difficulty there is lack of technical knowledge and I don't think customs protection is required.

23905. Similarly, I doubt if manufacture of refractory materials (fire bricks, etc.) require custom protection. Where the materials are available in India, the cost of sea freight and cheaper labour should be sufficient protection, and duties would press heavily on the consumer.

23906. There are classes of manufactured goods which I feel strongly should be accorded some sort of "protection" and I mean goods which are now imported (largely by Government) and which can be perfectly well made in India, with Indian materials and labour, in the Government Ordnance Factories, which can readily undertake much civilian work (except in the case of a big war).

These factories cover a wide range of manufacture; high grade steel and brass and cupro-nickel, from the raw materials, medium and light steel rods, constructional sections, etc., brass strip of all sizes, punched and drawn brass work; foundry (casting work) steel and brass; all sorts of general engineering work, forging, smithing and machining—heavy and light; the finest, most accurate interchangeable work in quantity production done in India is done at the Rifle Factory including elaborate and accurate gauge making. Then of an entirely different class are the nitric and sulphuric acid manufactures at the Cordite Factory and another different class of work, manufacture from the hides upwards, including tanning and currying of high class leather—good enough for all high class leather work except certain fancy or specialized varieties. At one time, the Ordnance Factory made and rolled the cupro-nickel required for coinage by the Calcutta Mint which said that the output was excellent.

23907. There is no desire to compete with or cut-out private manufacture in India for the above class of work, but in very many cases the class of work is not done in India but imported and the Ordnance Factories contain a quantity of fine machinery and have a competent permanent staff, all paid for by Government and (in peace time) not fully employed.

As a specific case in point, shell forging plant is eminently adapted for forging railway buffers, yet I have quite recently seen an order, for 8,000 buffers at an estimated value of £8,000 sent to England with other railway fittings, couplings, etc., to a further value of £6,000 all of which could have been made in the Government Ordnance Factories. The demand further estimated that the sea freight for the above would cost £1,800.

23908. It will perhaps be hardly believed that thousands of kodalies or mamooties or phowrahs (purely Indian tool, never used in England) are ordered by Public Works Department and railways from England. The Government Ordnance Factories in India can easily make these in quantity and are trying to secure the orders (orders for about 35,000 are under consideration).

23909. Under financial arrangements recently made the Government Ordnance Factories can now quote firm prices for any articles, railways, Public Works Department, etc., ask for. In the past, cost price was charged and often the purchasers could not be told this for months. This, of course, kept people away from the Ordnance Factory.

23910. His Excellency the Commander-in-Chief is very anxious for Ordnance Factories to take up civilian work and recognizes that this work is to be given its due priority alongside of military work and it is hoped that very little military work will be required for

several years. Civil work thus will not be side tracked for military work, and will or should become a very large, if not the predominant, feature of the output of the Ordnance Factories. And this not at the expense of private firms, but in lieu of importations. We in fact now have several of the big private firms asking Ordnance Factory to do jobs for them (Jessop, Burn, etc.)

23911. Except for certain specialities, *e.g.*, patent leather and such like it is doubtful if there should be any need to import finished leather into India. Indian buffalo leather is probably not really quite as good as the best English ox hide leather but for nearly all practical purposes it is good enough. All the leather machine belting used in the Ordnance Factory is now being made in the Government Harness Factory. We can make thoroughly good and serviceable cavarly and artillery harness out of it—much better than the saddlery that silladar regiments used to buy from England and America from private firms. If an embargo was placed on importation of finished leathers, the demand (which is not great) for such leather for saddlery to be made up in India could probably be met by the Government. Harness Factory at Cawnpore till such time as private firms in India make good high class leather: at present except one or two firms which work up their own leather into their own manufactured articles, nearly all the leather made in India is of inferior quality, because this quality gets a ready sale in India and the firms don't take the trouble to make better. But very good leather can be made in India from Indian hides and tanning materials, and this should become an important export trade. I may add that the Government Harness Factory has been asked to send samples of finished leather for exhibition in Montreal—but if orders are given on these samples, the ordinary Indian manufacturer will not come up to that quality and India may get a bad name unless the orders are placed with the Government Harness Factory.

As it is believed that Government Departments are excused import duties the imposition of such duties will not conduce to Government Department troubling about ordering stores in this country and it must be remembered that it gives less trouble to write a letter to London asking for a store than to ferret out some hitherto unknown source of supply or to develop such source in India.

23912. In case it should be considered pertinent to the point I may say that though the upper management of the Ordnance Factories has in the past been in the hands of military officers the policy has now been accepted of appointing civilian engineers in the future and a good deal of progress has already been made in this direction and it is anticipated that this civilian staff will be very materially increased in the immediate future.

23913. The Ordnance Factories taken together afford unrivalled facilities for training engineers, artizans, foremen and it is hoped engineer officers (this latter depends on getting educated lads to come forward, which they are beginning to do) in a very wide range of engineering work such as should be and could be developed in India, but to do this training the factories must be kept full of work and give certain training facilities which I am trying to secure; at present there is not enough military work to keep them fully or economically employed and suitable civilian orders are going overseas. If these could be penalized and thus kept in India, the money would be spent in India and the experience gained in India; the plant and the staff are already available and short of work in the Government Ordnance Factories in India. If the Ordnance Factories cannot make certain civilian stores at a reasonable price, the order should not be given them, but in many cases there is no doubt that they can work to an acceptable price.

23914. One other important point developing India's manufacture of stores is to revise specifications of all sorts and to have a qualified technical staff to do this and to supervise the subsequent inspection. In many (if not most) cases, the specifications have been copied slavishly from some English specifications demanding the use of "the best English ash" or of "oak tanned leather" etc., etc.: till recently the backs of all military brushes (harness, polishing, etc.) had to be of English wood!—a case arose recently of one size of crow bar being wanted a special shape and special material (practically a proprietary article of some one firm); articles should be demanded by specification, not be a trade proprietary title (*e.g.*, "Lion Brand" of lubricating oil). The lack of qualified inspectors till a few years ago caused numbers of brushes to be bought from England as no inspector in India knew good bristles from bad, therefore Indian bought brushes were bad and the user insisted that English brushes should be supplied; these it was found were made of the better class Indian bristles which were exported.

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